

JPRS-CAR-89-045

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# ***JPRS Report***

## **China**

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# China

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## GENERAL

### Analysis of Western Europe's View of Soviet Troop Reduction

40050382 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 3, 1 Feb 89 pp 18-19

[Article by Lin Zongren 2651 0022 0086 in the column "The World Political Situation": "Western Europe Sees Cause for Concern Amidst the Good News of the Soviet Decision on Disarmament; A Cause for Celebration: Military Pressures on Western Europe Will Be Alleviated; A Cause for Concern: The Warsaw Pact Still Has a 2:1 Advantage Over NATO"]

[Text] When Gorbachev spoke at the UN General Assembly on 7 Dec 1988, he announced that the Soviet Union has decided on a unilateral troop reduction of 500,000 troops and a large-scale cutback in the number of conventional weapons within the next 2 years. In addition, before 1991 the Soviets plan to withdraw from the German Democratic Republic, Czechoslovakia, and Hungary and to disband six tank divisions and some offensive units. Soviet troops remaining in Eastern Europe will be transformed into purely defensive forces. This is another major policy decision that the Soviet Union adopted after it decided to destroy intermediate-range ballistic missiles. The decision will have profound effect on East-West relationships, particularly between the Soviet Union and Western Europe.

Historically, Western Europe has been more sensitive than any other place to suggestions of Soviet disarmament, and the current Soviet decision on troop withdrawal even more directly involves Western European interests. Consequently, Gorbachev's UN General Assembly speech quickly raised a strong reaction in Western Europe, and the various West European governments issued statements about it one after the other. Mrs Thatcher expressed the opinion that this move "is an important step toward equalizing forces in Europe." Kohl said "it provides Western Europe with an opportunity to achieve a balance in conventional weaponry." Mitterand called it "beneficial to peace and the balance of power." Public opinion in the press also widely reported and commented on this unilateral troop withdrawal decision. Unlike the past, however, this time essentially nobody in Western Europe publicly expressed doubts about Gorbachev's sincerity, and there were very few who accused the Soviets of conducting propaganda.

There are several reasons why Western Europe welcomes the Soviet decision on disarmament.

**First of all, this is a major, unilateral Soviet concession to Western Europe.** This Soviet decision on troop reduction will pare its military forces by one-tenth or more, and West Europeans are surprised at the scale of the cutback. In recent years Western Europe has constantly felt severe pressure from the enormous Soviet military advantage, living in fear as though seated beneath Damocles' sword.

After the U.S.-Soviet INF Treaty was signed, although the critical Soviet threat to Western Europe was reduced, the Soviet advantage in conventional forces grew more prominent. NATO not only trails the Warsaw Pact in troop numbers, it also falls far behind in terms of first-strike capability. According to Western statistics, there are 4 million Warsaw Pact troops in Europe, or about 113 divisions, compared to only 2.6 million NATO troops, or about 90 divisions. The Warsaw Pact has 52,000 primary fighting tanks and 37,000 cannons in Europe, compared to 22,000 and 11,000 NATO tanks and cannons, respectively. Consequently, after an agreement was reached on the issue of intermediate-range missiles, not only was Western Europe's sense of unease not alleviated, it actually increased somewhat. In order to improve this threatening situation, for the past year Western Europe has particularly emphasized that the Soviet Union must make a "large-scale reduction in its conventional forces, which are far out of symmetry with the West." Otherwise Western Europe must continue to "maintain sharp vigilance" and "absolutely not relax its defensive efforts." Although this Soviet decision on disarmament still falls short of changing either the military balance between the Warsaw Pact and NATO, or the Soviet Union's overall military superiority in Europe, it cannot but be a significant concession and a beneficial factor for European security.

**Second, the Soviet decision on disarmament demonstrates that Gorbachev's new thinking has affected military strategy.** One of the major reasons Western Europe has long maintained a wait-and-see attitude toward Soviet reforms and foreign policy revisions is the belief that up to now Soviet military composition has remained unchanged, and that the Soviet Union still maintains an offensive military force that "far exceeds what is necessary for defense." Western Europe stresses that "the large-scale concentration of conventional Soviet military forces in Eastern Europe, the Warsaw Pact's military superiority, and its capacity to launch a first strike or choose a large-scale offensive operation, are at the heart of the European security issue." Consequently, in West European eyes the major criterion for judging this new Soviet ideology is whether the Soviet Union eliminates the military plans, troop strength, and weapons systems that constitute its first-strike capacity and large-scale offensive capability. This time not only is the Soviet Union making cuts in troop strength on its own soil; it is also removing some troops from Eastern Europe, including one-third of the total number of tanks stationed there. In addition, the remaining troops will be transformed into defensive troops. This is one major sign that the Soviet Union is shifting from an offensive to a defensive military strategy. Western Europe naturally welcomes this "positive change" and wishes to encourage the Soviet Union to continue along this path.

Of course, when the Soviet Union consented to such significant concessions it had its own strategic considerations in mind, of which one important one was improved relations with Western Europe. In the past year the Soviet Union has clearly revised its policies toward Western

Europe. Politically, it is giving more serious consideration to Western Europe's status and role, and economically it regards Western Europe as a significant source for imported funds and technology. Consequently the Soviet Union has become more active and is taking more initiative in the effort to improve relations with Western Europe. Dialogue and trade contacts between the two have intensified considerably. However, West European concerns about Soviet military superiority, particularly its fear of Soviet expansion in conventional military forces, have seriously impeded further growth in bilateral relations. This big step the Soviets have taken in adopting unilateral disarmament was intended to dispel West European fears in order to obtain the international climate the Soviets need to advance reforms and develop economically.

From our current perspective, this peaceful offensive has achieved significant results in Western Europe, particularly in alleviating the public perception of the Soviet threat. But from the perspective of West European office-holders, at the same time as they are welcoming the Soviet decision on disarmament, they still harbor doubts at heart because the move has raised new issues concerning West European security. For one thing Western Europe has no certainty that the Soviet Union will be able to carry through on its troop reduction commitment. It is especially difficult to assess the Soviet military attitude. Sergei Akhromeyev, the Soviet chief of general staff of the armed forces, tendered his resignation on the same day Gorbachev announced this unilateral troop reduction, and I'm afraid this was no coincidence. For another thing, even if the Soviet decision is fully implemented, the remaining conventional Soviet forces still possess an advantage over West European forces. In Great Britain Mrs Thatcher expressed the opinion that after the Soviet troop withdrawal "the Warsaw Pact will still have a 2:1 advantage over NATO, and difficult negotiations will be necessary to achieve a balance of conventional forces across Europe." Moreover, the decision on unilateral disarmament has placed the Soviets in the position of initiative in future negotiations. Western Europe "will find it very difficult to adopt a strong position." In addition, the success of this peaceful Soviet offensive has raised strong public opposition in Western Europe to the efforts just underway to enhance defensive forces to counter the Soviet threat. The Western European Union will now meet with even more resistance, and controversies between Western Europe and the United States, and even within Western Europe itself, over issues of modernizing short-range ballistic missiles, defense expenditures, and U.S. troops stationed in Western Europe, will intensify and grow more complicated. Right now Western Europe is seeking ways to deal with these issues. Plans will be made, and we will just have to wait and see.

### NORTHEAST ASIA

**Turnout at Hirohito's Funeral Signals Japan's Economic Might**  
*Shanghai SHIJIE JINGJI DAOBAO* in Chinese  
6 Mar 89 p 3

[Article by SHIJIE JINGJI DAOBAO Vienna correspondent Hu Houfa 5170 0683 3127: "The Japanese Emperor's Funeral Reveals That Only When We Enhance National Power Will the World Take Us Seriously: Today, Japan Has Become One of the World's Three

Economically, Scientifically, and Technologically Most Powerful Nations. By Using Modern Oceangoing Container Ships, Japan Has Achieved What It Was Not Able To Achieve With Aircraft Carriers During World War Two."]

[Text] At precisely 0800 on 24 February 1989, I temporarily changed my usual work schedule and sat down in front of the television. This is the first time in my life that I have ever watched television during the golden morning hours. On the screen, unfolding before my eyes, was an exceptional broadcast: the Japanese emperor's funeral. One week earlier Austrian television station number two had announced that, in order to avoid delaying the live broadcast of the emperor's funeral because of the time difference, it would break its normal pattern and arrange an early morning live broadcast. I generously freed 2 hours of my schedule for the program to try to glean some news from watching this far-away funeral that the public here has called a historic, world record-breaking event.

According to intermediary news reports here, 10,000 foreign representatives from 136 nations and 26 international organizations attended the funeral, including 55 heads of state, 11 heads of governments, and 14 representatives of imperial families. Including the Japanese citizens lining the streets of the funeral procession, the total number of participants reached 650,000. These dry figures tell us that the emperor's funeral, as the "ultimate world record," also has some added significance.

In Austria, there were numerous public reports and comments on this funeral in a far-away land. In order to broadcast the program, the television station specially assigned two directors and invited both an expert on Japanese issues and a Japanese individual fluent in German to explain each scene of the funeral. The enormous scale and solemn spectacle of the funeral undoubtedly broadened the outlook of many Austrians, who are accustomed to simple, unadorned funeral arrangements, but government analysts also drew several even more profound political implications from the funeral ceremony.

The emperor is Japan's highest authority, as well as its national symbol. It is reasonable for the people to demonstrate their adoration of the emperor with a ceremonious funeral. However, that the funeral of one of the major figures in the cruellest war in human history, 40 years ago, could bring forth such an unprecedented number of international dignitaries is a remarkable phenomenon.

In the West, people are particularly sensitive to the question of fault for World War II. No matter what party, any politician who participated in activities that were the slightest bit irregular during World War II is denounced by the public or even cast out of political circles. Although Austrian President Waldheim did not directly commit any criminal offenses in World War II, because it was proven that he once participated in the

Nazi armed forces, the United States has placed him on a "watch list." Since that time most visiting Western leaders have disregarded customary diplomatic etiquette and avoided and distanced themselves from Waldheim. This stands in stark contrast to Emperor Hirohito's funeral, for which heads of government from all over the world converged. Some people have even asked whether statesmen were wrong to have poured in to participate in the emperor's funeral.

As I stated above, my interest in this is not intended to depreciate the funeral of our neighboring nation's emperor. Rather, I feel that the people of a nation that has been severely traumatized by war can draw a great deal from that experience to help arouse national spirit.

The attendance of all these heads of state at Emperor Hirohito's funeral does not mean that they have absolved him from his responsibility for the war. Respect for history is a standard of international relations that every nation in the world observes. As commentators here in Vienna have consistently held, the basic reason for worldwide concern over the emperor's death lies in the expansion of Japanese economic might. The close interest the world has shown in Emperor Hirohito's funeral is actually a form of silent praise for Japan's postwar imposition of hardships in order to overcome national humiliation, and its splendidly successful all-out effort to build a nation. Today Japan has become one of the world's three most powerful nations, economically, scientifically, and technologically. History has clearly told us that the only route to enhancing a nation's status is through scientific development, economic expansion, and the achievement of modernization. Only a people who are wholeheartedly dedicated to modernization, and who are not themselves seeking domestic consumption, can win world attention. From this perspective, by using modern oceangoing container ships, Japan has achieved what it was not able to achieve with aircraft carriers in World War II.

## WEST EUROPE

### Analysis of Rising Number of Asian Students in FRG

40050399 Shanghai SHIJIE JINGJI DAOBAO  
in Chinese 6 Mar 89 p 13

[Article by Xia Xunge 1115 3065 7704: "The Competition Among Asian Students in the FRG"]

[Text] *The rising number of Asians studying in the FRG is an important sign of the growing political, economic, and cultural intercourse between Europe and Asia. For many years, most Chinese, Iranians, and Indonesians have studied the natural sciences and engineering, while Japanese and South Koreans, whose countries have booming economies, have focused on linguistics and economics, which are viewed as "superstructural" and "ideological." Why is this?*

As everyone knows, the FRG, which was founded after World War II, created a "miracle" of rapid economic growth after quickly healing its wounds of war and has since become one of the richest countries in the European Community.

In the wake of this development, more and more foreigners have flocked to the FRG. According to statistics recently released by the FRG National Statistics Bureau, the number of foreigners residing in that country increased from 2.439 million in 1970 to 4.146 million in 1987; the number of foreigners studying there rose from 25,000 to 77,000 during the same period; and the number of students from developing countries is gradually climbing. Currently, the 10 countries with the largest student populations in the FRG are Turkey (9,362), Iran (8,229), Greece (6,260), the United States (4,179), Austria (3,951), South Korea (3,062), France (2,490), Indonesia (2,121), Italy (2,119), and the UK (1,958).

The large number of Asian students is particularly striking. In 1975, only three Asian countries had more than 1,000 people studying in the FRG: Iran (3,808), Indonesia (3,072), and Japan (1,077). South Korea then had only 582, and the Chinese mainland only 48. By 1987, the following countries, ranked in order of their contingents, had more than 1,000: Iran (8,229), South Korea (3,062), Indonesia (2,121), China (1,576; Taiwan, 613), and Japan (1,145). In that year, Chinese students outnumbered Japanese for the first time.

During the last 10-odd years, the subject studied by the largest number of Japanese and South Koreans in the FRG was linguistics, followed by economics, law, sociology, the humanities, and art. In 1987, 1,103 South Koreans, 36 percent of that nation's total, were studying linguistics, 18 percent of the total was studying law, 16 percent was in art, and 30 percent studied other subjects. During the same year, 445 Japanese, 39 percent of that nation's total contingent, were studying linguistics, 38 percent was studying art, 11 percent was in economics or law, and 12 percent was in other subjects. By contrast, Iranian, Indonesian, and Chinese students have focused on engineering, mathematics, and the natural sciences, followed by linguistics and economics, during the same period.

In sum, the rising number of Asians, particularly from nations that are politically and economically typical of Asia, studying in the FRG is an important sign of the growing political, economic, and cultural ties between Europe and Asia and reflects a new trend in Asian nations' approach to learning from Europe: By going to the FRG, which is the heart of Europe, one actually can understand all of that continent. In this respect, fluctuation in the number of foreigners studying in a country is a barometer of economic and political competition. The data we have also prompt this question: Why have Japanese and South Korean students clustered so in linguistics, economics, and art, whereas Iranian, Indonesian, and Chinese students focused on engineering and

mathematics? Generally speaking, the natural sciences and engineering are more directly connected with social productive forces, whereas linguistics and economics are often seen as "superstructural" and "ideological" and exert only an indirect effect on the development of

productive forces. Yet it is plain for everyone to see that growth in productivity in Japan and South Korea has vastly outstripped that of other Asian countries. Does not the experience of these two nations merit careful pondering?

**Corruption Among Chinese Officials Criticized**  
40050346 Hong Kong PAI HSING [THE PEOPLE] in  
Chinese No 186, 16 Feb 89 pp 26-27

[Article by Ou-yang Wei 2962 7122 4850: "A Big Mess; How Will It Be Cleaned Up?"]

[Text] *Hu Qili vents his wrath at RENMIN RIBAO, Deng Xiaoping blows his stack and demands that Qiao Shi replace Zhao Ziyang, Prince Zhao profiteers, but is let off the hook just because he paid for the goods he sold. One country-two systems means two separate prices for the same merchandise, inspectors and tax officials exploit their powers to grow fat and rich, banquets costing several million yuan are blithely reported as expenses,...*

**The News Media Devotes Extensive Coverage to Success Stories**

Zhao Ziyang recently ordered the mainland press to increase coverage of honest government, to step up efforts to educate the masses on "conditions as they really are," to strengthen ideological education, and to expand reportage of macroeconomic controls; the overall thrust of the order, however, was to report "successes." Thereupon, newspapers devoted extensive coverage to successes, and on television college professors told how good conditions were in education, middle school instructors extolled the lofty virtues of their profession, and primary school teachers proclaimed full dedication to rearing the next generation. Now that the central authorities are stepping up political-ideological education, it is hard to predict whether or not fairy tales of "great courage and output" will appear.

Was it not just a short while ago that Chinese Communists professed dedication to "democracy," "transparency," "openness," etc., at their 13th National Congress? Though insignificant, this development at least was better than nothing, yet in a little more than a year even the words died away, and things apparently have changed with the passage of time. How did this backsliding occur? First, for the elections at the "two meetings," the central authorities repeatedly ordered reporters to leave the chambers immediately after conclusion of the election, and stated that any omission would be handled by special personnel. To everyone's surprise, the next day TA KUNG PAO of Hong Kong ran a front-page story reporting the opposing vote count, including the fact that there were 25 votes against Deng Xiaoping. The newspaper's correspondent in Beijing was given a double expulsion (from the party and from his government job). Since he was a reporter for a mainland news agency, it was his superiors who ordered the expulsions. Thereafter, TA KUNG PAO paid his salary; otherwise he would have been ruined.

Second, was the row over *River Elegy*. This television documentary was widely applauded by viewers, who were not "antiparty and antisocialist," but rather felt that the documentary was bold in raising issues and thus

would facilitate reform. To everyone's surprise, the documentary angered high officials. First, a member of the Politburo standing committee demanded that the show be canceled, then a state leader leveled a "national condemnation" at the show (yet has never been heard to condemn all that official profiteering and bribery that goes on on the mainland), leaving the leaders of the party news organs utterly flabbergasted. From upstairs came a telephone call to RENMIN RIBAO reporting that the vice president of the PRC, greatly stirred by the show, wanted the paper to prepare a report. The paper's editor in chief, misconstruing this to mean that the vice president enjoyed *River Elegy*, collected much praise of the show to include in the report. When this was discovered, someone quickly pointed out to him that the vice president was enraged, so the editor quickly assembled another report full of criticism of the show. When he went to deliver the report to the vice president, the editor told him, trembling in fear, that only a short notice was issued and that the original text was not, so the anger subsided somewhat. However, the paper is not done with this story yet; there is more to come, below.

**Deng Xiaoping Calls for Complete Price Decontrol**

Next came the television show "Historic Today." Although this show won great praise from viewers, it only lasted a year and was terminated 4 months ahead of schedule. High officials were already displeased when the show aired a story of the "Pohai No 2" [drilling platform] incident, which had occurred 8 years before. But when the show went so far as to televise a factual documentary on the Chinese Communists' 12th National Congress, showing Hu Yaobang sitting grandly at center stage, a number of big shots were offended and, fearing that the show might air even more upsetting historical facts in the future, ordered its cancellation. If big shots have no respect for fact, they certainly do not give a hoot about the preferences of the television audience.

When the National Federation of Trade Unions held a meeting to elect executive officers, the central authorities sent five leaders to attend. At 2200 before the election, Minister Yen Mingfu ordered a meeting of all relevant personnel. Some of these people had already gone to bed and were totally mystified as to what was afoot when they were instructed to attend the meeting. Minister Yen said he wanted everyone to "stand with the central authorities," in other words, to vote for the people he named. Consequently, Wan Shaofen [8001 4801 5358] was defeated. The overseas edition of RENMIN RIBAO reported this development, even putting Wan's name in the headline. Hu Qili raced over to and upbraided the paper for publishing the story, raging, "What faction has taken over RENMIN RIBAO? In the future, I am going to participate in your editorial meetings." And that is precisely what he did. Some people hoped that he would deign to take over as editor in chief so that they could learn from him how to evade facts.

Most intriguing was last year's policy conference at Beidaihe. This was quite a ruckus, and official news agencies actually tried to "refute rumors" and to deny that the meeting even took place. An intense scene at the meeting involved the issue of price reform. Deng Xiaoping insisted that all prices be decontrolled. Zhao Ziyang vigorously opposed this and declared that he would resign if the measure was undertaken, to which Deng retorted, "Resign then; we'll just ask Qiao Shi to take over for you." As soon as Qiao heard that, he scuttled back to his home in Beijing, but Deng, upon discovery of the escape, immediately ordered that Qiao be dragged back to Beidaihe. Finally, the five participants held a vote and decided three to two to nix complete price decontrol. The three votes were cast by Zhao Ziyang, Li Peng, and Yao Yilin; and the two were cast by Deng Xiaoping (on behalf of Hu Qili) and Qiao Shi.

#### Zhao Ziyang Approves of the Airing of *River Elegy*

If all prices had been decontrolled, last year's money supply of 70 billion yuan would not have been enough for this year, and the tiny savings that the masses had managed to scrape from between their teeth would have become wastepaper. But this unhappy affair left an impression. One provincial party secretary indicated that it will be a miracle if Zhao Ziyang is still general secretary this time next year. Next, a number of people began pushing for a campaign of criticism against *River Elegy*. The background of this development was as follows: A Politburo standing committee member ordered the show to be terminated, yet Zhao Ziyang not only agreed to air it but also presented a videotape of it to Lee Kuan Yew of Singapore, a move that was "too unseemly" to some people. Moreover, a unique characteristic of Chinese culture is that when the dragon countenance frowns at everyone, everyone wants to attack the dragon, and sometimes the one who strikes first wins the greatest merit. Thus, the move to criticize *River Elegy* actually may very likely have been directed against Zhao Ziyang. However, the Chinese Communists may have taken into account the fact that frequent replacement of the general secretary would create the impression of instability and that Qiao Shi lacks prestige, does not express his views, and gives the impression that he does not have any views, and thus cannot replace Zhao Ziyang. So the Politburo held a meeting and decided not to criticize *River Elegy*, saying the central leaders would keep their dissatisfaction with the show to themselves as private opinions. This whole series of events led to the disappearance of "transparency" and "openness" from the press and from public opinion and to today's emphasis on praise.

The problem is impossible to describe in compete detail. A state leader who recently appealed to the nation to practice thrift took all his close relatives to a hotel in Zhuhai, where they dined on fresh seafood and blithely ran up a bill for several million yuan. How else was the bill handled other than as an expense write-off? One minister took 50-odd close relatives to a summer resort

on Jingpo Hu in the northeast and did not pay a copper either. And when you see the nobles, great and large, summering at Beidaihe, China does not look as if it is at the preliminary stage of socialism. Meanwhile, spending on education declines year after year, so that the state now contributes an annual average of only 5 yuan per middle school student and 1 yuan per primary school student. Pupils at the primary school in Wufu village in eastern Li County of Hebei had to attend class outdoors during the 9 solar weeks following the winter solstice, many developing chilblains that festered, burst, and oozed yellow pus. With conditions such as these, how is China going to step up efforts to educate the masses on "conditions as they really are"?

#### People Busted for "Official Profiteering" Lose Their Black Gauze Caps

That brings us to "official profiteering." China is notorious throughout the world for its official profiteering. The Army, the Navy, and the Air Force use military vehicles, ships, and planes to profiteer; some active servicemen confiscate goods at gunpoint; railway personnel use train cars; the post office uses mail sacks; and so on. Officials soar through the heavens, their megalomania growing ever greater. Patriots write articles loudly screaming, "Failure to extirpate official profiteering will destroy the nation." Yet central authorities, as if they were dealing with their own children, cannot get worked up enough to hate anybody. While television blasts hoodlums and rapists day after day, it has never aired anything about official profiteering. When people report cases of official profiteering, the guys who are turned in are just small potatoes, not the watermelons. Though there is no shortage of people who have been caught and punished, all of those unlucky souls were little guys.

The director of the Xuchang Industrial-Commercial Administration in Henan lost his black gauze cap when he uncovered a major case of profiteering. An engineer at the Gansu Eighth Construction Co was fired for reporting a case of profiteering. And when the chief of the Light Industrial Machine Plant of Fuyang County, Zhejiang, informed his superiors of the financial problems of the manager of the Second Light Industrial Co, the superiors incredibly organized a special team to investigate the engineer and, although unable to uncover anything on the engineer, fully exhausted both him and his plant after several working-overs, causing the company 620,000 yuan in losses. The informant failed after trying everything, informed in the proper way, and his report was accurate and true. So why did he meet such a fate? Someone has finally discovered the truth about these times: It is better to collude to profiteer than to inform on profiteering and risk offending officials. With China's huge population, targets for exploitation abound. And with China's feudal system, in which "what the big cheese says, goes," you can get protection.

Now there is even more protection. At the highest ranking meeting of the party, the general secretary has said that the central authorities are clean and that the

children of high-ranking cadres have been so maligned that their status is worse than that of even ordinary people and has demanded that these children be accorded "equal treatment." These sonorous words have created a sturdy shelter for central authorities and children of high-ranking cadres. Each administrative level was shrouded in silence as the words trickled down: Everyone now knows that you cannot inform on central authorities or afford to offend children of high-ranking cadres. It is reported that at a regularly scheduled Politburo meeting Li Peng presented a document reporting that Prince Zhao was profiteering on the sale of color television picture tubes and asked Zhao Ziyang to his face what was to be done about the case. Zhao asked, "Did he pay?" Li, holding the document: "Yes." Zhao: "Well, isn't it all right if he paid?" This curt retort closed the case and left Li speechless with astonishment. It would seem that official profiteering is not a good or easy thing to report.

#### One Nation, Two Systems of Prices

Although prices climb day after day, the press always says that the rate of inflation is not too bad—that is because the definition of news has returned to "news = the will of top officials." Indeed, there have been investigations of prices, but the cleverness is that there are two list prices for everything: When superiors appear, one price tag is displayed, and when they leave, the tag is flipped over to show another price. When a consumer discovered this, he demanded to know what was going on, to which the target of his outburst responded with bold self-assurance: "Don't you know that there is one nation, but two systems of prices?" The people have no one to appeal to, because these days officials are responsible only to their superiors, can keep their black gauze caps only by properly catering to the demands of their superiors, and ignore everything else.

The central authorities have sent many inspectors down to check on things, but the upshot of this move has been to produce fat inspectors; in other words, the inspectors are gorging themselves on their posts. Inspectors sent to a big hotel in Shanghai were treated to an "ordinary meal" with menu as follows: "lattice cold plate, eight-tasty hors d'oeuvres, sizzling shrimp in white sauce, plump crab saute, white spring abalone, chicken wings wrapped in lotus leaves, four-color vegetables, steamed fish in clear broth, flaming chicken-tortoise soup, Hui-an soup dumplings; boat snacks—glutinous rice spring rolls, flaming ice cream, and maotai." And when the inspectors were escorted to the door, the hotel presented each with a carton of foreign cigarettes and several jars of Sparrow [brand] coffee and, in addition, gave the chief inspector a high-grade cashmere sweater and a leather suitcase. As a result, the hotel won the "national prize for quality management," a most prestigious award.

Tax officialdom is also a lucrative post. One enterprise spent several thousands of yuan on a banquet and gifts for tax officials, who reported to their superiors that the

firm was in the red, thus earning the firm many tens of thousands of yuan in tax rebates. This year has really been "an era that creates heroes." The cost of newspapers and periodicals has increased, subscriptions have plummeted (as of now, subscriptions are barely 60 percent of last year's level), so the press is using every stratagem it can think of to win the subscription war. The sharp ones have gone to tax officials and offered them a share of the take for new subscriptions. When the tax officers show up at an enterprise, they scare the wits out of the firm by threatening it with a detailed audit for tax evasion. Then the officials say, "Well, actually, we only came to ask you to subscribe to some of these periodicals," which the firm immediately agrees to do, thereby dodging the audit. Inspections and pretexts, both real and false, now abound, making enterprises and units anxious day and night. Units having strong backers cannot be inspected, but when things look bad for the units the backers immediately disassociate themselves therefrom, and when that happens, the unit is done for. With all these maladies, how can China step up efforts to educate the masses on "conditions as they really are"? How can China report this stuff?

#### Special Privilege and Internal Waste Burgeon

The current situation on the mainland can be summarized as follows: Special privilege and internal waste are burgeoning, and the people are suffering and getting very mad. How much do the central authorities know about the people's lives? A Politburo standing committee member and a general secretary both have said, "People are complaining because there is not enough meat in their bowls." Put aside the slave-master mentality the people should be obedient if they get their meat; the question is, how many times have these high and mighty officials been to the homes of the people, and how many common dinner tables have the officials ever seen? One leader was not even satisfied with the palace that had been built for Mao Zedong's imperial tours in Guangdong and demanded, during this time of mounting debt, to tear the old palace down and rebuild it in granite. That is how great the gap is between the living standards of officials and of the people! And a high-ranking leader who lives the life of lofty luxury and dines on specially prepared food once said, "Well, if there's no meat, they can eat prawn." That is reminiscent of a similar attitude expressed by K'ung Hsiang-hsi during the Republican era: "If there's no rice to be had, why not drink more milk!"

The people, who know what's going on, have coined a jingle: "When an ass-kisser is promoted, another pack of speculators gets rich, and another group of law abiders is lost." During last year's registration for college entrance examinations, very few youth applied to study natural science and engineering, and not a single person applied to study nuclear energy. If there had been an ass-kissing department, though, applicants probably would have broken its door down to get in. The people do not have the wherewithal to look to the future and can only hope

to obtain a little feeling of security, yet even that little feeling is gone. The 200 million people who suffered from disasters and were laid off from their jobs or positions in 1988 have become "flying tiger units" and gangs of hoodlums. Where will it all end?!

A cartoon recently published in a mainland magazine shows Deng Xiaoping seated in a rickshaw pulled by Li Peng in front and pushed by Zhao Ziyang from behind. Li looks back at Deng and asks, "Where to?" And Deng replies: "Just go; we'll see where we end up!"

If that is how things are with the big cheese, whose every word goes, how will the hundreds of millions of masses ever find their futures? They'll just have to take things day by day.

#### **Goal Responsibility 'Bare Minimum' for Central Government**

40050358b Shanghai SHIJIE JINGJI DAOBAO in Chinese 3 Mar 89 p 2

[Article by Gu Mingde 7357 6900 1795: "Strengthen the Government's Goal Responsibility System"]

[Text] Currently, we must strengthen the central government's goal responsibility system if we are to arouse people's spirits, heighten their confidence to surmount such economic difficulties as currency inflation, and drive reforms to a greater depth.

The central government's goal responsibility system implies that those in office in the central government bear the corresponding burden for the various macroeconomic goals. If the central government can't realize the goals set out for the term, then it must follow the system and the regulations that pertain and give a public accounting for its failure before the People's Congress. Moreover, it must investigate its own faults by public examination, group or individual resignations, etc.

A goal responsibility system in the central government is a bare minimum requirement for democratization of the political system, an essential condition for gaining the confidence of the people and a primary point of distinction between rule-by-man and rule-by-law. Without it, the central government does not qualify as a modernized government. From history we can see that it is less likely for a modernized central government with a goal responsibility system to bring calamity upon the country and

the people than it is for an absolute imperial monarch. With this in mind, we can see that, while the bourgeois revolution was eliminating feudal separatist rule and strengthening the power of the central government, it was also progressively establishing the central government's goal responsibility system under the principle of separation of the three powers. The salutary effect of this sort of goal responsibility system on stabilizing development can readily be seen in capitalist societies.

China is a socialist nation. The central government should try to bear in mind that it is responsible to the people. However, this kind of responsibility is still not ensured by the system. Whenever macroeconomic policies prove to be major flops or when the government fails to keep its promises the response is usually limited to summing up experience, lesson learning or "looking to the future." Rarely does the central government accept the responsibility it should under the responsibility system. The economic losses that resulted from three years of the "Great Leap Forward" were massive and, although various individual leaders got up before the 7,000-strong National People's Congress and mentioned a few things about "examination" that were premised on affirming the "three red banners," the "examination" was far less searching than it should have been in light of the central government's responsibility. Since the time we began nation-building, decisionmaking mistakes by the central government have led to disproportionate dislocation and wasting of lives and money on more than one occasion.

Obviously, lack of a practical and effective goal responsibility system in the central government is a main factor in explaining China's frequent macroeconomic flip-flops. Also, it goes a long way toward explaining why people lack confidence in the prospects for success in this or that adjustment to the political or economic environment and invincibility in the furtherance of reforms. Today government at various levels and the different enterprises all have goal responsibility systems in the forms of contracting, contract responsibility, leasing, etc., and it only seems fitting that the central government have a similar goal responsibility system. This sort of goal responsibility system is unique to our national condition and is not found in Western nations. Thus, thought needs to be given to such issues as how to carry out and supervise it and what relationship it has to the system in the National People's Congress. What remains beyond dispute, however, is that the goal responsibility system must be strengthened.

## NATIONAL AFFAIRS, POLICY

**Major Problems in Economic Policy Discussed**  
40060387 Beijing JINGJIXUE ZHOUBAO in Chinese  
26 Feb 89 p 7

[Article by Zhang Shaojie 1728 1421 2638: "Obstacles in Coordinating Structural Changes"]

[Text] *Economy: Difficulties in reform and problems in development have forced economists to reconsider the economic policies of the last few years. If we begin by analyzing the revolving structure of the economy, and realize coordination and mutual effects between various changes in the economic reform process, we can get a better grasp of the actual process of China's economic reform and development. The people need to know that the reform will cause changes in every aspect of China's economy, and what created these various economic problems.*

### I. Reason for Loss of Control—Differences in the Marketing Rate

Two inherent characteristics in China's economy, its unbalanced nature and an excess labor force, have basically restricted the integration of the market economy system.

The government and economists in China have constantly promoted an overall coordinated reform with price reform as its core, but have always ended up abandoning their plans. This is very difficult to explain using the grounds of insufficient determination or excessive requirements. In reality, the difficulties China has in pushing through an overall price reform lies in two areas: The first is difficulties in "the first readjustment," the second is the so-called "budget restrictions." The twists and turns in China's price relations have caused other market means to be in the same kind of twisting and turning situation, the fairly safe reform method is to "first readjust and later cancel." This method requires a "first readjustment" process. But the fundamental problem in this "first readjustment" rests in the inherent difficulties of controlling the price readjustment process. The unbalanced nature leads to there being huge disparities between enterprises and areas which make it almost impossible for us to get a handle on comprehensive reform measures that can be effectively carried out. This also saddles the governments of independently benefiting enterprise and areas with large amounts of negotiating time. The basic obstacle here is one of excess labor. Under the situation of excess labor, no matter how small the scope of worker unemployment and enterprise bankruptcy, it will cause extreme panic in society and lead to difficulties for price reform and make it hard to advance or retreat. Also under this situation, in order to meet the overall trend toward market integration in the national economy brought about by rural industrialization, the price "double-track system" has become a necessary substitute method.

The reform of prices being blocked and "double-digit inflation" erupting at the end of 1984 prompted the people to attempt to solve the problems by using the microstructure of China's economy. But in the actual economic process, the reform of enterprise and key market elements cannot bypass this fundamental restrictive characteristic of excess labor. A large amount of evidence has shown a direct relationship between the trend toward "double-digit inflation" of China's enterprise and China's employment system structure. Pushing ahead enterprise reform on this basis can only result in society's receiving more and also quickly open up an enterprise reform that has the flavor of "worker autonomy," but the experience of Yugoslavia has made Chinese economists take a cautious attitude toward this special aspect of reform. In actuality this will limit the "sharing system" to a very limited scope, and cannot but maintain the economic relationship between the government and enterprise. Under this type of situation, the "contracting system" will become a feasible method for reforming enterprise but the detrimental effect of this method on price reform can be easily seen.

It could be said that in this new stage of China's economic environment, stagnation of the market economy reform will be almost impossible to avoid, and is also a normal result. There are problems, while the market reform just got started and then fell into stagnation, the two major market integration departments in China's economy—departments for rural development and opening up to the outside world—have developed very rapidly.

Development of rural nonagricultural industries has quickly created a broad impact on the operation of the national economy: It has (1) strengthened market competition and restrained the profitmaking capability of market enterprises; (2) stimulated price increases of key elements in rural production; and (3) attracted a large amount of irregular competition activity. Along with this, development of departments opening up to the outside world will directly create strong stimulation "in cities" concerning China's market economy system. The effect of this will be extremely profound: (1) It will speed up price increases of agriculture production supplies. This type of change and the combined effect of the welfare system and commodity and monopolized structure of cities that have not been reformed can lead to an "agricultural crisis in cities." (2) Income growth of market-integration departments has directly stimulated the income requirements and mobility requirements of staff and workers in the market system. The combined effect of this change in the above-mentioned shifting of market allocation regulations has led to rapid inflation of nominal wages, and has further promoted welfare competition between enterprise and various organizations, including making connections and competition in the two aspects of "group consumption" and housing. (3) This type of competition will eventually evolve into a competition where enterprises, localities, and departments are fighting for funds.

It can be said that it will be difficult for the reform of the market system to make rapid progress, while at the same time the market integration of departments not operated by the state will continue to make rapid advancement. This will lead to a continuing tight situation in the national economy and is a direct factor in the present runaway economy of China.

## II. Clashes Between Parties Intensifying—Not Opening Up Circulation Expansion in the Market

The existence of special economic expansion pressures is a main reason why the fairly severe inflation pressure was formed, but this will not necessarily bring about chaos in rules and order. This is a factor concerning further advancement, which is China's present stage of the market not opening up.

Currently, almost all of China's industrial enterprises need to rely on market activity to solve all or part of their problems in sales and supply of products and operating materials. We need to make a distinction between two types of market activities: One type is rural industrial market activity that stresses small-scale economics, the other type is state-operated industries that engage in independent sales and purchasing activities.

China's small-scale economy was developed from supplying processing services to large industries. However, in the situation of a rapidly expanding small-scale economy, its market needs cannot be satisfactorily met by large enterprises. This has forced the small-scale economy to engage in independent buying and selling activities to solve its problem of survival. Although with millions of small enterprises relying completely on their own resources to open up markets and to search for operating materials, the cost of small-scale economy purchases and sales would undoubtedly be very high.

Talking about independent sales by large industries, their costs are also fairly expensive due to the scale of the enterprise not really being that large, often with only a single type of product, and setting up sales organizations in many places. To bring about the savings in market activities required for the small-scale economy and large enterprises they should jointly promote reorganization of the wholesale trade structure. Under the situation of the state having financial departments that haven't reached the necessary level of reform, the present wholesale trade departments are not providing the type of service needed. This is why the "company craze" started to emerge in China during 1986. With the majority of these companies having different policies, the people were prompted into calling it "official profiteering." It's necessary for the government to bring about two things: First, trade activity that is fairly large in scope is needed to mobilize resources (especially transportation) and information-gathering capabilities. The second is to have comprehensive trade activity in the independent marketing nature of industries. Consequently, the development of "official profiteering" will not be "blind expansion,"

but will be something that is fully needed and its development will be economically reasonable. The problems in these two areas are: first, China's market not opening up to the outside; second, the excessive economic power of these trade organizations.

In China the "government-sponsored trade" nature of trade organizations is a continual problem to be solved during the reform. Therefore, our goals for reform in the realm of trade can be summarized as "more channels for trade and fewer links in the trade process." However, because of the direct influence of the market not opening up and it being separated, when increasing trade channels, trade links will also be increased, thereby lowering the efficiency of trade activities. Because of this lowered efficiency there will be a doubling of requirements in economic activity for trade and service business. Something worth pointing out is that a portion of trade organizations possess a government background, this is not only a problem of trade effectiveness, but causes market prices for people after the "double-track system" to not have the phenomena of "prices falling into line" emerge. In reality this will form a "trade-linked" [chuahua 0025 2255] market that has an all-inclusive direction to it. Currency, materials, bank certificates, and various sales documents should have a common means of transaction, and cause this type of "joint exchange" to become a common form for transactions.

The causes of this "joint exchange" can be summarized in a nutshell by the following two reasons: "price controls" and "connections." "Price controls" lead to disparities in nominal prices and balanced prices, and force businessmen to use other methods to make up for the price imbalances. With "connections" the price regulations rest in various "import barriers" of economic activities; this embodies the right to expect certain profits after a certain period of time. This is a type of pure government "product" but, in actual practice, investments in the trade-linked market for this type of "product" are increasing. In theory, "price controls" simply leading to "joint exchange" may cause gradual restraint of currency exchange. However, after "connections" form a type of transaction means, restraining "joint exchange" will become extremely difficult.

Two relatively severe obstacles have quickly emerged in the current development of China's market economy. The low efficiency of trade activity has become a heavy burden for industrial enterprises and consumers. This has made them terrified of the market economy and makes it necessary for government intervention. At the same time, it has also caused the small-scale economy to not dare to make inquiries about high priced goods, and to continue to rely on their own forces when engaging in economic activities. Furthermore, it has continually developed various "economic" nonstandard management measures. The addition of "official profiteering" has attracted various "power transactions" to the

already nonstandard and inefficient market, and brought a strong political color to this already extremely sensitive problem of income distribution.

### III. Difficulties in Coordination—Shortcomings in the Technological Process Created by Inadequate Supply Lines

There is much controversy within the country concerning the "local structure" and the "double-track system" of prices will naturally lead to the economic life having "a double set of regulations" and will ultimately cause chaos in behavior and procedures. This way of thinking is reasonable. The existence of the "double-track system" will undoubtedly increase the scope of "the chances for trade monopolies." This will not only create more opportunities for bribes of enterprise investment organizations and officials but will also increase the difficulty of supervision and control. Two problems that exist in this are: First, it was pointed out when we were analyzing "joint exchange" that "joint exchange" was not brought about only by the factor of "price control," but also by the factor of "connections." Therefore the essence of the problem under the situation of having the government conducting a lot of intervention in economic activities, are how to guarantee fair competition and the honesty of officials. Second, the way to solve these problems does not lie in "completing the opening up to the outside as quickly as possible." In fact, with regard to the state conducting control and distribution of resources, it can exist alongside some distribution methods that are compatible with the market, such as types that have already proven to be successful and at the same time are able to avoid risks brought about by an excessively rapid market integration. With the state hobbling along with the same old difficulties, it is obvious that the blame cannot be attributed to the "double-track system."

Taking a further look, if the problems facing us were only those of corruption and bribing of officials, things would be simplified a great deal. But the crux of the problem is that at present there are many factors concerning appropriate ethics of some irregular economic activities. You could say that the greatest danger to the market integration reform is not having power held by individuals but having power held by the "public." With the public using irregular methods to solve problems that should be solved by the state, the state is powerless to solve problems with a "public benefits" nature.

Taking rural industry as an example, there is much controversy concerning the super-fast development of China's rural industry during the last few years, and there is a loud cry to control it. However, there is a very important fact that restricts the implementation of control policies. This is the "inadequate supply lines" that exist between rural nonagricultural industries and agriculture. When China's township enterprises began developing, they gave play to a type of "using industry to

support agriculture" function. The existence of "inadequate lines of supply" can use agriculture to rely, to a certain extent, on township enterprises for its stability and development.

"Holding back from taking action against an evildoer for fear of involving good people" has become a difficult problem in the selection of policies.

Similar types of "inadequate supply lines" exist throughout various aspects of China's economy on a wide basis and is a characteristic of China's economy that people have focused their attention on. The emergence and development of "inadequate supply lines" typifies the predicament that China being a low income welfare state is faced with.

A result brought about by this has been a change in the nature of policy planning and management. Because there are many different inadequate supply lines, some of these lines are linked together. This makes it difficult for the planning authorities to know how much resources an area or department really needs and to not know where to use the resources, the result is that no supplies or insufficient supplies will be allocated. This causes the governments resource allocation method to tend more and more toward "equal benefits" as its starting point, and makes the "base figure increases" become its basic allocation principle. This signifies that the allocation of materials, investment, loans, and foreign trade articles still does not possess "a rational market," the rational allocation method has also been lost. This type of irregular distribution has brought about a reverse "joint exchange," especially in promoting the development of "connections." Therefore, the final result of "inadequate supply lines" will be that planned resources will be changed to marketed resources and planning activities used to "supplement" market activities.

Another result created by this will be the trend forming of further "policies replacing currency." The result of spreading "inadequate supply lines" will be that financial income will mainly be from relying on state operated enterprises. This will delay reform progress of state operated enterprises and hinder the state operated enterprises in raising their competitive level. The stagnation of state operated enterprise reform and development will further intensify the already formed frictions concerning benefits, requiring further social coordination. Under the situation of having great difficulty in further increasing income, the only thing the government will be able to do is hand out "policies." This is a truly risky cycle. Its result may be possibly be that the economy will flourish on a day by day basis, regulations will become increasingly chaotic, and finances more and more hard pressed, in the end it will cause the ability to control policy to continually fall.

*State: The frictions and contradictions between the economic management and market integration departments have lead to chaos and loss of control in economic order.*

*The important problems at present are to work hard at resolving the regional links. Under the condition of maintaining the national economic coordination movement and through economic development and innovations conduct further structural reform, we will realize in the end a complete shifting of tracks in the economy.*

### Meetings Held on Status, Development Prospects of Enterprises

#### Management Symposium Held in Guangzhou 40060472 Shanghai SHIJIE JINGJI DAOBAO in Chinese 27 Mar 89 p 12

[By reporter Chen Zihong 7115 1807 1347: "Summary of the All-China Symposium on Management of Conglomerates"]

*[Text] Conglomerates have an extremely important position and function in the development of China's economy; they are products of the reform of the economic structure. The "three unchangeable" principles—the ownership system, the relationship of subordination, and the channels through which profits are turned over to the treasury—have become main obstacles and hindrances in the development of conglomerates.*

The Symposium on the Management of Chinese Conglomerates, recently held at Guangzhou, was attended by more than 80 executives and management experts of conglomerates and scholars from all over the country who discussed present conditions, problems being faced, and the developmental trend of enterprise conglomerates. A summary follows:

1. Major characteristics of the development of enterprise conglomerates. In China's economic life of recent years, there was a rapid large-scale emergence of enterprise conglomerates, which have shown strong vitality. According to incomplete statistics, there are now as many as 1,000 enterprise conglomerates of all kinds. Among these, 12 large-scale enterprise conglomerates appear as single accounting units in the state plan. Main characteristics of enterprise conglomerates are: 1) The principal system is the system of ownership by the whole people, while a mixture of diverse ownership systems provides the foundation. 2) At the core of enterprise conglomerates is unified property and management; it is a development of lateral associations at a higher level. Conglomerates generally have statutes that have been jointly determined and are to be observed by all members. They have a fairly tight organizational pattern with a center for unified policy decisions. They also have joint possession of property and technologies, share profits equally, jointly bear risks, coordinate their actions, and work for joint development. 3) Principles of enterprise conglomerates are to improve key production elements and nonsubordination to government agencies in enterprise management.

To sum up, enterprise conglomerates have an extremely important position and function in the development of China's economy. They are the product of the reform of the economic structure, the connecting link in the changeover from the old to the new system, and also the link between macroeconomy and microeconomy. They are an effective organizational form for rational disposition of natural resources and for the improvement of key production elements. They form the nucleus for the development of high-tech industries, for catching up with the world's new technological revolution, and for the development of productive forces. They are the vanguard of China's enterprises in their entry into the world market.

2. Problems that exist in the development of enterprise conglomerates. The rapid emergence of enterprise conglomerates is, of course, accompanied by contradictions and frictions with the old system and with old conventions; especially since they are a new thing, they still require a certain protracted phase of perfection and development. The following are their four major problems: 1) The "three unchangeable" principles—the ownership system, the relationship of subordination, and the channels through which profits are turned over to the treasury—have become the main obstacles and hindrances in the development of enterprise conglomerates, and these have to be changed. 2) Self-determination is not really in effect. The vagueness of enterprise property rights and the inconsistencies about responsibility, power, and interest are the most outstanding problems in the development of enterprise conglomerates. 3) The indistinct delineation of relations between state and conglomerates. 4) The need for qualitative improvement in the internal management of enterprise conglomerates.

3. Thoughts on a deepening the reform of enterprise conglomerates. 1) Conversion to a shareholding system. Using the shareholding system as a structure for a new type of enterprise conglomerate, splitting enterprise property into shares according to different relationships and origins, and in the distribution of business profits and of economic responsibilities, a common sharing according to the share capital of each party in question. These measures will be of benefit in striking down the barriers between different departments, regions, and ownership systems, as they will also clarify property relations, resolve the problem of insufficient capital of enterprise conglomerates, and will at the same time promote the separation of government administration from enterprise management, while they will also ensure that self-determination of enterprise management will become a reality. 2) The financial group pattern. Enterprise conglomerates should comprise financial organizations and gradually infiltrate banking, to take an active part in capital movements. The concrete way to do this would be for the banks to use the enterprise conglomerates as agents for the issue of bonds, shares, and thus render support to their economic development. Banks should be encouraged to invest in conglomerates, to join conglomerates, and to set up finance companies within

the conglomerates, thereby accelerating the process of converting banks into enterprise-type businesses, to finally arrive at a situation of banks and enterprise conglomerates merging capital and to form conglomerates in the nature of financial institutions. 3) Externally oriented types. Enterprise conglomerates should adopt as main objective in their development the marketing of commodities abroad and opening up of foreign markets. This demands that they conquer world markets by the sale of famous-brand products, high-quality products, and specialty products. They should, on their own initiative, participate in and fully utilize such elements as international economic techniques, capital, and prices, and develop knowledge-intensive and technology-intensive products. They should establish broad links to the economic organizations of the world, organize their production according to international customs, and establish in the international market their own network for production, management, marketing, and servicing, participate in the international division of labor and exchanges, organize transnational corporations, and in the world market pursue internationalized business operations.

The present symposium was jointly sponsored by ten units, including the Federation of Chinese Enterprises, Jinan University, the Guangdong Provincial Economic Commission, and the Wanbao Electrical Equipment Associates, Inc.

#### **Enterprise Development Prospects for Next Decade**

40060472 Shanghai SHIJIE JINGJI DAOBAO in Chinese 27 Mar 89 p 12

[By reporter Chen Zihong 7115 1807 1347: "Developmental Strategy of China's Enterprises in the 1990's"]

[Text] The "Symposium on the Developmental Strategy of China's Enterprises," jointly sponsored by the Research Department of the Federation of Chinese Enterprises, QIYE GUANLI [ENTERPRISE MANAGEMENT], XIANDAI QIYE DAOKAN [MODERN ENTERPRISE GUIDANCE], and the Baohong Petroleum Machinery Manufacturing Plant, conducted lively in-depth discussions on such topics as the present condition of China's enterprises, the pattern of the developmental strategy of enterprises in the 1990's, and new strategic ideas. The symposium was attended by more than 100 representatives of enterprises, by enterprise managers, government departments in charge of economics, and representatives of the press.

An objective analysis of the present state and potential of enterprises is the starting point for any formulation of a developmental strategy for China's enterprises for the 1990's.

#### **A Huge Potential Is Contained in China's Enterprises**

*Management potential.* The continuous improvement of management is sometimes called "digging gold from a gold mine," while the weak links in enterprise management are called "gold mine belts" of the enterprises.

*Potential for organizational improvement.* If an enterprise rationalizes its key productive elements through readjustments and retrenchments, it will not only reduce expenditures in key production elements, but will also raise production efficiency. Organizational improvement also includes improvement of the management mechanism and of the business capability of the enterprises, it is, therefore, not just a question of reducing redundant staff. Following a future reform of the nation's labor and personnel system and the establishment and perfection of the social security system, surplus personnel engendered in the course of the continuing organizational improvement of enterprises will then promptly be absorbed by society or by other enterprises, and organizational improvement will possibly create even more outstanding effects.

*Potential of staff and worker enthusiasm.* Although on the whole, the enthusiasm of staff and workers is now generally on the rise, there is still much that could be said about it.

*Potential of technological progress.* The present condition of China's enterprises demands of us that we be widely aware of technological progress. Its potential must comprise full utilization of equipment, transfer of available achievements in science and technology to production technology, including effective renewal of entire sets of equipment and transformation of parts and components. On the basis of current technology, research and development of new technologies should be pursued, and they should be widely propagated and used.

*Potential in the reform and perfection of production and management.* Since the start of the reform, every change in the management pattern of enterprises has powerfully advanced the continuous perfection of the enterprise production and management mechanism and continuously released new capacities in the enterprise production and management mechanism.

*Potential of enterprise mergers.* Through enterprise mergers it is certainly possible that a large number of well-managed, highly efficient enterprises can promptly acquire necessary capital and other resources and achieve effective utilization of best production and management facilities, and, viewed from a macroeconomic perspective, have its effectiveness greatly increased. Through formulating and enforcing an industrial policy, the state will in the future achieve a rational distribution and utilization of resources. Presently, local separatism and blockades in various sectors of the economy restrict the rational distribution and utilization of resources.

### Special Environmental Features in Relation to Strategic Fundamentals

The special environmental features to be faced by China's enterprises in the 1990's may comprehensively be summed up as being in a period of violent change. Main manifestations of the changes will be that, first, from the standpoint of the enterprise organizational system, property relations will undergo change in that they will be clarified. Through leasing or auctioning there will be transfers of enterprise property and redelimitations. The contract system will develop into a shareholding system, and the contract system will also be merged with the shareholding system. We may say, the change and clarification of property relations will be manifested in a variety of new forms. Second, the 1990's will be the time of full development and perfection of China's socialist commodity economy and market system. Through regulation of the economic environment during the last 2 years of the 1980's, and while excellent economic environment conditions prevail, the new order of socialist commodity economy will gradually become established in the 1990's. Third, China's strategy of economic development in the 1990's will reach a turning point of historical changes. These changes will comprise completion in the 1990's of the transformation process that had begun in the middle and later years of the 1980's, namely from a developmental strategy that predominantly emphasized quantitative expansion to a strategy with main emphasis on qualitative improvement and improved product mix. At the same time, following the converging of China's economy with the world economy, the strategy of developing an externally oriented economy will be gradually perfected and realized, and also initially implemented. Fourth, we must also recognize that world technological progress and development in the 1990's will bring about changes in the technological distribution and in the structure of production and trade throughout the world.

The overall strategy of enterprises in the 1990's will manifest the following characteristics:

- 1) Diversity of patterns of enterprise development. Enterprises will develop with a diversity of ownership systems (state-owned enterprises, enterprises of the collectives, privately owned enterprises, enterprises of mixed ownership systems, and enterprises solely financed by foreign capital) and a diversity of enterprise systems (contract system, shareholding system, leasing system, etc.).
- 2) On the whole, a strategy of enterprise development with a strong externally oriented trend. That China's economy will merge into the mainstream of the world economy is a trend of history.
- 3) Investment strategy will in the future play an even more important role in the strategy of enterprise development. In the course of enterprise development and industrial structural adjustments, the position of enterprises as main

agents in investment will be much strengthened, following the gradual establishment of enterprises as independent commodity traders and producers.

4) In the 1990's, the strategy of enterprise development in China will still be affected by the worldwide technological revolution. In an overall perspective, China as a developing country of a low income level will, in technical respects, still predominantly develop a labor-intensive type of industry. While advanced technologies, medium-level technologies, and traditional technologies will coexist, the developmental situation will be one of a diversity of enterprise technologies, in which medium-level technologies will predominate.

### Regulations on Transfer of Land-Use Rights

HK2903104189 Beijing CEI Database in English  
29 Mar 89

[Text] Beijing (CEI)—The state will soon issue "the Provisional Regulations for the Transfer of Land-Use Rights", according to authoritative sources.

Under the regulations, land-use rights can be sold or transferred for a certain period of time, but the land remains to be the property of the state. Foreign-invested enterprises which acquire such rights in accordance with the "regulations" will enjoy preferential treatment stipulated in other regulations and will be exempted from land-use fees.

The regulations also say that the buyers' legitimate rights will be protected by law. Buyers may re-transfer or mortgage their land-use rights. Land-use rights can be inherited.

### Dual-Track Economy Poses Management Challenges

40060473 Shanghai SHIJIE JINGJI DAOBAO in Chinese 27 Mar 89 p 7

[Text] The challenges of the dual-track economy are now squarely facing every Chinese person who is determined to carry out reform. It would be futile to turn back. The prerequisite for continuing forward is to clarify our present position. The study of China's dual-track economy, the understanding of its unique operating mechanisms, and the implementation, on this basis, of feasible methods of macroeconomic management, have become an important real-life subject of research on reform. Recently, Diao Xinshen 0431 2450 3947 and Xu Zhichao 6079 1807 6389, of the State Restructuring of the Economic System Commission, explained to our reporters their views on a series of problems facing the dual-track economy.

### The Combined Effects of Money and Ration Tickets

They said to the reporters that the economic activity of any society revolves around production. The term "dual-track economy" refers to an economy in which the market and the government both have direct influence over the distribution of resources. These 10 years of economic reform have been a process in which the area in which the market mechanism has effect has gradually been increased, and the area in which the government directly decides on economic activities has gradually been decreased.

In the dual-track economy, it is difficult for direct governmental orders concerning production to fully eliminate a certain power of choice on the part of economic entities. That is to say that the great majority of economic activities must include exchange if they are to be carried out. But unlike in market economies, in which money is the only medium of exchange, the dual-track economy has another medium of exchange—the ration ticket. The distribution of ration tickets reflects, first of all, the coercive power of the government, which generally depends on prices being set by administrative means, and supply and demand being regulated by individuals. Ration tickets are a medium of exchange. If there is no need for exchange, then of course there would be no need for the existence of ration tickets.

In the dual-track economy, quite a large proportion of commodities depends on the dual media of money and ration tickets. Under these circumstances, the state price, which is denominated in monetary terms, cannot by itself reflect the true price of goods. The true price is the sum of money and ration tickets together. Whether it be in the area of macroeconomic or microeconomic analysis, it is meaningless to use only the state price to carry out economic analysis, and the results are usually wrong.

They spoke about the fact that in the dual-track economy, when exchange of a certain commodity does not depend entirely on ration tickets, as with some commodities that are traded freely at the market price, the ration tickets that correspond to the commodity acquire a monetary value. Because of the existence of bartering, the monetary valuation of ration tickets has become commonplace. Especially since the reforms and the implementation of dual prices for the great majority of commodities, the populace has generally perceived that the value of ration tickets is equivalent to the differential between the state price and the market price. In the free markets, it costs 5 jiao for 1 jin of rice with grain tickets, while without the grain tickets 1 jin of rice costs 7 jiao. This is seen as completely natural.

As the value of ration tickets has become clearer, their monetarization has become a simple matter. Under these circumstances, the interest relationships behind the distribution of ration tickets have also become clear.

The simple conclusion is that the achievement of production and, on this basis, the achievement of profitability in production activities, cannot be divorced from the combined effects of money and ration tickets. This is a basic point of departure for research into a series of phenomena connected with the dual-track economy.

### Research on the Dual Economy Lacks a Theoretical Base

They said, first of all, that research on the dual-track economy suffers from the lack of a theoretical base that can be used in analysis. If we were to adopt Western economic theory, we would discover that the assumptions behind even the most basic concepts are different here. To take only one example, the state price, which is determined through administrative methods, is fundamentally different from the notion of price in a market economy. What meaning could there be in using price theory in analysis? On the other hand, neither is it appropriate in China to use the theoretical base for a classical planned economy, because the centrally planned economy in China has never covered all of society.

Is it possible to use one type of theory to analyze one part of the economy while using another type of theory to analyze a different part of the economy? If the Chinese economy were a collection of disconnected parts, this type of analysis would be possible, but that is not the reality. Even though there has always been a portion of the Chinese economy not subject to economic planning, the greater part of the economy, when viewed as a whole, is in fact controlled or managed as part of the planned economy, and much of the nonplanned economic activity is influenced by the planning and management. Therefore, the subject of our research is economic activity that is subject to the combined impact of the market and of planning. The theoretical base that we need is one that will deal with the dual-track economy as a whole, because only in this way will we be able to grasp the dual-track economy as a whole and master the management techniques for this type of economy.

### How the State Manages the Dual-Track Economy

Because ration tickets owe their origin in the dual-track economy to the direct participation of government in economic activities, they feel that the effect of the government on the economy is twofold. On the one hand, it must carry out its macroeconomic management function and, on the other hand, it also participates in microeconomic activity.

The government's financial policy in the dual-track economy can be classified into monetary policy and ration ticket policy. The government's monetary income and expenditure is used not only to take care of governmental expenses, but also to influence the society's economic activities through government spending. Ration ticket financial policy also possesses these two

functions. Ration ticket policy and monetary policy are also interconnected, thus any monetary surplus or deficit can be balanced by a surplus or deficit in the ration ticket policy.

The actual form of the income generated by monetary policy is taxes. Although the area from which the taxes may be drawn is very broad, there is only this one type of income. Because ration ticket policy has not been unified so far, there is a special type of ration ticket for every kind of economic activity. When monetary policy generates income by adjusting tax rates and categories, people do not need to be too concerned by the relationships between different tax-paying entities. Ration ticket policy cannot operate this way. On the surface, there appears to be no connection between different types of ration tickets, but in fact, in terms of financial policy, they have formed a part of government finances. A change in the income and disbursements of any type of ration ticket affects the government's finances and, in the past, these changes have generally manifested themselves through changes in monetary income and expenses. The reason why, since the reforms, chaos has often resulted from reforms caused by uncoordinated reforms is that the interconnections between different aspects of ration ticket policy have not been noticed by people. Change of policy in one area, because of these interconnections, can influence the balance of the entire government's finances. For example, a change in wage policies should not, on the face of it, affect the income of the central government. However, with prices set at a certain level, wage increases mean a decrease in profits, for which reason some income taxes would drop correspondingly. Because some areas, particularly those that are relatively well developed, pay a larger proportion of taxes to the central government, drops in tax revenues always affect the central government's finances much more than they do those of local governments. Under these circumstances, local governments actively increase wages and then utilize other ration ticket income to make up for their monetary losses.

The interconnected nature of monetary policy and ration ticket policy exacerbates the difficulty of macroeconomic management. It is impossible to achieve the overall goals of regulation by depending solely on direct management or indirect management. Neither is it possible to simply take direct and indirect management methods and append one to the other. It is necessary to find the internal connections between the two. The first thing is to discover the connections between ration ticket policy and monetary policy, and on this basis determine principles and methods.

Another characteristic of the government's management of ration tickets is that it must be carried out in every department and at every level of government, from the central leadership on down to the local organs. Different government departments, and organs in different levels

of government, all view problems from different standpoints, especially since, in the dual-track economy, governmental organs have independent interests. This means that while governmental supervision depends on the entire administrative structure to get carried out, exchange relationships and conflicting interests exist between different elements within this structure. When management policies and methods determined from the central government's standpoint coincide with the interests of local governments, the achievement of governmental supervision goes relatively smoothly. If the opposite is true, the achievement of such supervision is not very successful, and even unlikely. Therefore, the local governments facing the central government generally exhibit the characteristics of an independent economic entity. Their behavior more closely approximates that of an enterprise in the marketplace than that of a governmental body outside of, or in, the marketplace. The fact that governmental bodies have taken on the status of microeconomic entities not only increases the difficulty of macroeconomic supervision, but also increases the microeconomic complexity within the dual-track economy. In the beginning, ration tickets were a method used in governmental finances, and they were distributed so as to achieve the principle of more effective economic supervision. But when governmental bodies became independent economic entities, it became possible for ration tickets to become a source of profits, because government's use of its power to distribute ration tickets was by far the most convenient way to realize profits. Because the basis of ration tickets is the coercive power of government—administrative authority—some governmental organs, for the sake of their own profit, are even able to use their authority to create ration tickets, which they can exchange to enlarge their own profits.

They further stated that after the government, or governmental organs, became independent, the monetarization of ration tickets developed one step further into the monetarization of authority. The medium for the monetarization of authority has been ration tickets. It would be difficult in any society to legalize the direct exchange of authority for money, but it is an easier matter to use the ration tickets created by authority and exchange them for money.

However, the monetarization of authority requires one more important condition—unclear or completely non-existent regulations for the distribution of ration tickets. The process by which authority is monetarized is as follows:

First—The precondition for monetarization of authority is that authority must be able to create ration tickets. This is a basic characteristic of the dual-track economy. Governmental supervision of the economy depends primarily on the distribution of ration tickets.

Second—The motivation for the monetarization of authority originates in the formation of independent interests among governmental organs. If the government

were an indivisible whole, without exchange relationships between different governmental organs or independent authority in lower levels of government, then there would naturally be no monetarization of authority.

Third—If ration tickets could not be circulated widely, the monetarization of authority would be very difficult to achieve, because only when money and ration tickets have become interconnected can monetary needs be met by ration tickets.

Fourth—If there were clear regulations for the distribution of ration tickets, even though monetarization of ration tickets would still be possible, it would yet be very difficult to monetarize authority. Under these circumstances, those participating in exchange of ration tickets for money would be the holders of ration tickets—enterprises and individuals—instead of the distributors of ration tickets—governmental organs.

It can be seen that this fourth condition is the most important one. In another sense, this shows that a key problem regarding the institution of effective policies and supervision within the dual-track economy is how to establish regulations for supervision.

#### Restructuring the Dual-Track Economy's Supervisory System

When asked about how to deal with the relationship between planning and the market, they responded that it would definitely be unworkable to set up our macroeconomic management system according to the model used with market economies. If the original system is preserved, we will discover that not only management of the planned economy will cease to be effective, but also that regulation of the market economy will often suffer from interference and will not be able to exert a positive effect. The restructuring of the management system of the dual-track economy is in reality a process that is carried out at a deeper level of reform, because inappropriateness of the structure of administrative authority and the supervisory system that was set up based on the original management system has become more and more pronounced as the basis for this original system has changed. How to deal with the relationships between the central government and local governments, between the government's monetary and ration ticket policies, and between different sectors within its ration ticket policy, is a series of new problems which cannot be avoided as we face the necessity of macroeconomic management. If we carry our considerations one step further we will discover that not only is the structure and function of authority in need of a rather large readjustment, but that a readjustment of the basis of authority is also needed, because the source of profits in the dual-track economy depends more and more on market exchange. Administrative authority is no longer the only source of profit. Separation of property rights from administrative

authority and establishment of a property rights structure within the dual-track economy are also basic conditions for the establishment of a new management system. Within the economy based on public ownership, establishment of property rights relationships and of equity-holding entities cannot ignore the present foundation. Property rights must first be separated from administrative authority. The holders of these property rights are unlikely to turn overnight into what we presently define as enterprises. Therefore, when we consider the establishment of the form and structure of property rights, we must take into account the adjustment of the original structure of authority.

Lastly, they commented that the "period of switching tracks, switching systems" in which we currently find ourselves is not a matter of switching from the traditional planned economy to a free market system, but is a switch to a dual-track economic management system. The dual-track economy is not a temporary, transitional economy. It is a relatively stable historical period which will last for quite some time. An understanding of the objective nature of this historical fact is a prerequisite for study of the dual-track economy, for determination of corresponding reform strategies, and for the formulation of a series of management policies.

#### NPC Deputies Urge Strengthened Economic Research

OW2503034389 Beijing XINHUA in English  
0324 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—Theoretical research on China's ongoing reform must be strengthened, say some deputies to the 7th National People's Congress (NPC), the Chinese parliament.

In a group discussion today on Premier Li Peng's report on government work, deputies from Liaoning Province said extensive studies on China's financial and political conditions should be undertaken to help formulate a new self-regulating, self-restraining system, enabling the reform to suffer as fewer setbacks as possible.

Deputy Li Jun said that abrupt decisions and readjustments have been a recurring scene since the founding of New China in 1949. This, he said, has resulted mainly from a failure to study objective laws.

In the current economic readjustment, he said, research on basic conditions in China should be strengthened so that government policies accord with these existing conditions and decisions are made scientifically. His view is shared by other deputies taking part in the discussion.

#### Inspectors To Punish Economic Distortions

OW0104110289 Beijing XINHUA in English  
1622 GMT 30 Mar 89

[Text] Beijing, March 30 (XINHUA)—China is to punish officials who play with statistics and numbers concerning the national economy and social development in a nationwide drive starting in April.

A central government official said today that special inspectors will check the statistics of 1988 grain outputs, farmers' incomes, industrial outputs, investment in fixed assets, hotel and government building projects, price indices, and social institutional purchasing power.

The announcement of the 3-month survey (from April to June) was made jointly by the State Statistical Bureau, the Ministry of Supervision, and the Bureau of Legislative Affairs of the State Council.

He Yong, vice minister of supervision, said that "those who interfere with statistical jobs, play numbers for personal or regional ends and retaliate against crime reporters must be severely punished."

Zhang Sai, director of the State Statistical Bureau, urged inspectors to make all-out efforts in investigating fraud cases involving fiddling with data and information.

"To develop a commodity economy," he said, "the government must have accurate data and information before making decisions."

**State Auditors Uncover Financial Irregularities**  
*HK3003015289 Beijing CHINA DAILY in English*  
*30 Mar 89 p 2*

[By staff reporter Zhou Hongqi]

[Text] Errors, waste, and fraud involving a total sum of 15.2 billion yuan (about \$4 billion) have been discovered by the State Auditing Administration, it reported yesterday. This includes 3 billion yuan that should have been handed over to the State.

Abuse of public funds and tax evasion were also included in the illegal activities uncovered by the auditors. The total sum revealed was an increase of 20 per cent during 1988 over the previous year, mainly because more units had been checked.

About 192,000 units, including both institutions and businesses, had been checked, an increase of 18 per cent over 1987.

The administration has made great efforts to check and rectify the projects of ongoing capital construction to help implement the State austerity policies.

It examined more than 27,000 capital construction projects, about one-fifth of which were found to involve financial irregularities. As a result, investment was cut by 840 million yuan.

To crack down on corruption among government officials, the administration strengthened auditing of the financial revenue and expenditure of some 148,000 administrative units and institutions, 62 per cent more than in 1987.

Financial irregularities decreased in the checked units because they had to take strict control over their financial management so as to reduce spending.

For example, financial irregularities decreased by over 30 per cent in the units which were checked regularly in Northwest China's Qinghai Province.

The State auditors launched economic responsibility auditing upon some 25,000 factory directors and managers to promote the perfection of the enterprises' contract system.

The auditing offered a basis for evaluating the work of directors and managers, enhanced their sense of responsibility and legality, helped protect and support those following the State law and punishing those who did not.

Governments and departments concerned promoted 189 directors and managers, and demoted another 496 as a result of the audits.

This year, the auditors will concentrate on auditing local income and expenditures, banks and investment projects to help implement the government's austerity policies.

**PROVINCIAL**

**Qinghai NPC Deputies Discuss Development Issues**

*HK2803015989 Xining QINGHAI PROVINCIAL SERVICE in Mandarin 2300 GMT 27 Mar 89*

[Text] The Qinghai deputies attending the 2d plenum of the 7th National People's Congress have held discussions on the province's development with responsible comrades of the Ministries of Light Industry, Foreign Economic Relations and Trade, and Civil Affairs, the State Planning Commission, and the Ministry of Finance.

During the discussions, the deputies said they were greatly encouraged by the passage in the government work report calling for continuing to mobilize and organize all sectors of society to help the minority-nationality areas to better develop their economy and culture. They held that Qinghai's economic development cannot be achieved without state help and support and vigorous assistance from fraternal provinces and regions.

Deputy Song Ruixiang said that organizing the multinationality economic development zone on the upper Huang He and the Qaidam salt lake development zone will require more [word indistinct] policies from the state, such as low-interest loans and tax reductions and waivers.

After hearing this, Lu Xuejian vice minister of foreign economic relations and trade, said that the conditions for building hydropower stations on the upper Huang He

are good, and this is indeed a rich resource. The understanding of the upper and lower levels must be unified regarding the hydroelectric resources, and plans should be worked out and feasibility studies undertaken.

Deputy (Yang Shengxue) stated that Qinghai's ferrosilicon production has developed rapidly in recent years, and output may reach 100,000 tons this year. The original export quota allocation was too small, and we hope the state departments concerned will improve coordination and assign us a greater quota.

Vice Minister Lu Xuejian said that ferrosilicon production requires simple skills and low costs and yields good returns. Qinghai also has the resource conditions. It should vigorously organize production and earn more foreign exchange through exporting more. We are reporting on this to the State Council for quick solution.

**Shanghai Self-Employed 'Wary' of Banks, Keep Funds 'Locked Up'**  
*OW0404001389 Beijing XINHUA in English*  
1031 GMT 31 Mar 89

[Text] Shanghai, 31 March (XINHUA)—Self-employed workers in Shanghai are keeping large amounts of local currency in their hands, while the banks are seriously short of credit funds.

A recent investigation showed that there are now altogether 270,000 self-employed people in Shanghai. During the period 1980-1988 they obtained a net income of up to 1.5 billion yuan, but they only deposited several million yuan in the bank.

The self-employed are wary of banks, according to the investigation, and prefer to keep their money locked up in boxes at home.

They are also worried about future changes in state policies which may affect their earning power, so they tend to spend money as quickly as they earn it rather than save it in bank deposits, the survey found.

Economists have called for the government to encourage the self-employed to deposit their money in banks by offering more incentives in the form of higher interest rates, simplified procedures, etc.

**FINANCE, BANKING**

**State Council Tightens Wage Fund Management**  
*OW3003115889 Beijing XINHUA in English*  
1045 GMT 30 Mar 89

[Text] Beijing, March 30 (XINHUA)—China will tighten the use of wage funds as a means to control the excessive increase in expenditure.

A circular just issued by the State Council says the state-fixed wage quota is not to be exceeded. The reference bank is empowered to supervise the use of wage funds and refuse to pay out any excess.

Enterprises and governmental organizations should open special accounts for their wage funds and all wage payments must be registered in these accounts. No wages, bonuses, or allowances are allowed to bypass the accounts.

The circular says only the central authorities have the right to deal with wage issues. No department or individual is allowed to raise wage standards, increase workers' payments from other funds, or grant tax reductions or exemptions on wages and bonuses.

**Bank Plans Large Yuan Bond Flotation**  
*HK2903044289 Beijing CHINA DAILY in English*  
29 Mar 89 p 2

[By staff reporter Xiao Liu]

[Text] The Industrial & Commercial Bank of China, the country's largest savings bank, yesterday revealed its plan to float 2.7 billion yuan in bonds early next month.

This plan will lead the bank into competition for customers with the Bank of China which will start issuing 1 billion yuan worth of bonds on April 1.

The interest on the one-year time bonds the Industrial & Commercial Bank of China is to issue will be 2 percent higher than bank deposits of the same duration, a bank official said.

That is the same as the interest payment the Bank of China offers for its one-year time bonds.

The current interest return from the one-year deposits in banks is 11.34 percent.

The bank expects the comparatively high interest returns will attract people to invest more of their money in the nation's economic construction.

The bank has raised a total of 8 billion yuan via floating bonds in the past four years, the bank official said.

Encouraging people to invest more of their money in the nation's economic construction is part of the nation's effort to control consumption and counter inflation.

### People's Bank Recovers 873 Million Yuan in First Quarter

OW3103105689 Beijing XINHUA in English  
1032 GMT 30 Mar 89

[Text] Beijing, March 30 (XINHUA)—Up to Tuesday, the People's Bank of China, the nation's central bank, had recovered 873 million yuan in this year's money issuance, 765 million yuan more than in the same period of last year, the PEOPLE'S DAILY reported today.

The money issued before the spring festival in early February have all been paid back, the paper reported, but did not give the exact figure.

The paper attributed this success to government efforts to control price hikes, abundant market supplies and higher bank interest rates for individual savings deposits.

## INDUSTRY

### Friendly Thai Relationship Diverse, Progressing

40050329 Hong Kong CHING PAO [THE MIRROR] in Chinese No 2, 10 Feb 89 pp 82-5

[Article by Lin Hung-ts'ai 2651 1347 2088: "ASEAN Should Learn From the Good Relations Between China and Thailand"; first paragraph is source-supplied abstract]

[Text] Of the six member nations of ASEAN, only Thailand has good relations across the board with China. The friendly ties between China and Thailand are diversifying. Sino-Thai economic and trade relations are showing substantial progress, and Thailand is friendly toward the Chinese people in order to facilitate social unity and economic development—the other countries can learn from and draw upon these experiences. And the four principles China recently announced concerning its relations with ASEAN governments will also help promote Sino-ASEAN ties.

### I. The Site Was Most Ideal

Shortly after assuming office, China's new premier, Li Peng, chose Thailand as the destination for his first trip abroad. This choice clearly was designed to strengthen the friendly relations between the two nations and to use these relations as a basis from which to promote China's ties to ASEAN nations to hasten the blooming of fragrant flowers of friendship and to prepare to welcome in the 21st century, which will belong to Asia, side by side with ASEAN.

The six members of ASEAN are Singapore, the Philippines, Malaysia, Indonesia, Brunei, and Thailand. Sino-Singapore relations are fine, but the lack of diplomatic relations is a problem. Philippines President Corazon Aquino's visit to China advanced the friendship between the two countries, but there remains the minor headache

of the Spratly Islands. Sino-Malaysian ties are so-so, and there are no formal diplomatic relations between China and Brunei. The worst are Sino-Indonesian relations, which have long been broken and will not be easy to restore. Sino-Thai relations alone are good in every respect, good enough to serve as a model for the other ASEAN nations. Li Peng took advantage of his trip to Thailand to announce China's four principles vis-a-vis ASEAN—the site was most ideal and the time, ripe.

### II. Thailand's Politics Are Stable

Authoritative Western economic experts predict that the economic center of the world will continue to shift toward Asia over the next decade and that Thailand may become a new "little economic tiger."

Thailand's politics during the last 20-odd years have been stable. King Bhumibol, who has always enjoyed the support of the people during his 42-year reign, has never allowed himself to become enamored of palace life, and he and Queen Sirikit every year make inspection tours all over the country, visiting even the remotest villages, in search of concrete measures with which to help the people. Dam, canal, fish pond, and crop and animal breeding improvement projects and handicraft centers pop up like mushrooms after a spring rain in the wake of royal visit to poor, remote places. Former Prime Minister Kukrit Pramoj offered this evaluation: "King Bhumibol seems to show up everywhere in Thailand, is very concerned about the people's lives, and has brought stability to the land. Our stability comes from him, not from any military leader."

In fact, the highest levels of the Thai military have changed their attitudes and are now convinced that stability is most important. On the eve of Prime Minister Prem Tinsulanonda's departure for the Soviet Union for a face-to-face discussion of the Vietnamese invasion of Kampuchea with Mr Gorbachev last May, Prem dissolved the National Assembly, which had become increasingly opposed to him, and ordered general elections be held in July. This move left him a mere caretaker of the government, and he left the country amid rumors of a possible coup. Upon assuming office in May of 1986, Gen Chaovalit Yongchaiyut, commander in chief of the Royal Thai Army and acting supreme commander of the armed forces, assured the country that the army would never interfere in politics. And on the eve of Prem's visit to the Soviet Union, Chaovalit said, "If we wanted to stage a coup, we could do it, and no one could stop us." But he added, "The army will not tolerate any plots to destabilize the nation or to plunge the people into chaos."

As a result of the July elections, Chatichai Choonhavan replaced Prem as the new prime minister, the first produced through election since 1976. It is generally believed that Chatichai's administration will facilitate

continued political stability, because he will be able to harmonize and cater to the principal power centers—the army and prominent politicians in the royal and civil bureaucracies.

### III. Thailand's Economy Is Taking off

As in the case of Hong Kong, where social stability during the last 20 years has helped ensure economic prosperity, Thailand's economic takeoff is due chiefly to prolonged political stability.

Economic growth throughout most of the world began to slow after the mid-1980's, and the growth rates of four of the six ASEAN nations declined in 1985. Nevertheless, Thailand's economy grew by 6 percent in 1985, followed by rates of 6.5 percent in 1986 and 7 percent in 1987, and it is widely estimated that growth in 1988 may reach 8.5 percent.

Thailand has always practiced a predominately private economy, is providing selective encouragement of medium-size and small enterprises that produce for export, and industries boasting low costs and yielding rapid returns—such as processing of agricultural produce, light industrial goods, and electronics products—have developed vigorously. Foodstuffs have always led Thailand's exports, and the nation's traditional exports, such as rice, cassava, canned pineapple, sugar, corn, and tea, are steadily growing. Meanwhile, ready-to-wear clothing, textiles, pearls and jewelry, shoes, furniture, toys, and the like, are rapidly developing, especially clothing, which has exceeded rice in export volume. In recent years, because of Western protectionism, the prices of rice, corn, and other agricultural products have slumped, causing great harm to many developing countries. However, Thailand, the leading exporter of rice in the world, has, wherever feasible, promptly strengthened its exports of marine products, fruit, vegetables, and industrial goods and has seized opportunities to open up new markets in the Middle East and Eastern Europe. As a result, its exports have steadily risen, and its foreign trade surplus has reached \$5 billion.

Political stability and rational economic policy, together with low raw material and labor costs, have enabled Thailand to achieve considerable success in its effort to attract foreign capital. As of the first half of 1988, foreign investment in Thailand had reached a cumulative total of 8 billion baht, with Japan ranking first with 3.968 billion baht, Taiwan second with 2.032 billion, and the United States third with 848 million, followed by the United Kingdom with 40 million baht, Hong Kong with 36 million, Singapore with 24 million, Australia and South Korea each with 7.2 million, and Malaysia with 4 million. During the first half of 1988, Thailand received 540 applications from foreigners to invest in that country, of which, people from Taiwan made 186 applications, Japanese 171, Hong Kong residents 46, Americans 43, Singaporeans 26, Malaysians and Australians each 14, South Koreans 13, and British 11.

In accordance with arrangements made by the Thai Government, foreigners are investing in projects to manufacture such goods as electronics, computers, petrochemicals, plastics, rubber, furniture, and shoes.

China is very interested in and believes it can learn from Thailand's experience in attracting foreign investment. Shenzhen Vice Mayor Chou Hsi-wu [0719 3305 5294], who recently led a delegation to Thailand to do some fact-finding and to exhibit and sell Shenzhen products, concluded, based on conditions in Shenzhen, that China can adapt four things from Thailand. The first is establishing an authoritative and efficient agency to administer enterprises funded with foreign capital and to unify policy vis-a-vis foreign countries. The second is drawing up a policy to regulate the volume of foreign capital employed and to guide the direction in which foreign investment is made. Third is adopting effective measures and doing good work in attracting investment from Taiwan and other areas. Fourth is improving advertising abroad to attract foreign investment.

### IV. Sino-Thai Military Relations Are Good

At a Beijing news conference prior to the trip to Thailand, Li Peng, in response to a Vietnamese reporter's question about why Li's first trip abroad was to Thailand and why the emphasis on that country, Li said that China and Thailand are friendly neighbors, the leaders of the two countries visit each other frequently, and the two sides have common and similar views on how the Kampuchea issue should be resolved. And in a speech at the welcoming banquet held by Thai Premier Chatichai Choonhavan in Bangkok, Li reviewed the development of Sino-Thai friendship, pronounced himself very satisfied with the results achieved in the friendly cooperation between the two sides, and claimed that the friendship between the two nations has great vitality.

As is well known, Sino-Thai friendship has expanded into many areas, including distinctive military ties.

Thailand borders Kampuchea cheek by jowl and, out of concern for security, has had to set up defense against the Vietnamese army, which is hanging on and refusing to leave Kampuchea. In 1987, Thailand established a joint armory in cooperation with the United States, and Chaovalit, supreme commander of the armed forces, suggested to China that China and Thailand set up a joint military supply depot, which proposal China accepted. At the invitation of Zhi Haotian [6688 3185 3944], chief of staff of the Chinese army, Gen Chaovalit, accompanied by the commander in chief of the Royal Thai Navy and other high ranking Thai military officers, visited Beijing for 4 days in January 1988. This trip proved productive, as Chaovalit signed an agreement with the Chinese side to purchase approximately \$300 million in weapons from the latter; the method of payment was not disclosed. The September before this

[1987?], a spokesman for the Thai Navy announced that it was going to buy four Chinese escort vessels, though he did not disclose whether China had granted a concessionary price for the deal.

Western news media report that Thailand may, in emergencies, draw on the supplies in the joint depot and that it is then that it is to pay for the supplies. If accurate, this would indicate that the supplies are to be paid for only after they are used, a very friendly concession that is better than a temporary grace period.

It is not surprising that this cooperation has caused some suspicion among outsiders. For example, the JAKARTA POST claimed that the cooperation is not conducive to peace in Kampuchea. At his Bangkok news conference, Li Peng explained that the Chinese and Thai prime ministers did not discuss military depots or any military cooperation at any session of the talks and said that, while China sells some military arms to other countries, the amount involved is small and that, what Thailand does with the weapons it buys from China is Thailand's affair.

#### V. Sino-Thai Trade Ties

Thai government statistics show that, during the first half of 1988, Sino-Thai trade totaled \$424.09 million, a rise of \$141.61 million, or 50 percent, over the same period in 1987.

This volume clearly is "chicken feed." Yet why did Li Peng note with satisfaction that Sino-Thai friendship possesses great vitality and that the two sides enjoy exceptional prospects for the expansion of trade and investment?

It should be kept in mind that both China and Thailand remain agricultural, that China is very happy to learn from Thailand's experience in achieving economic take-off, and that China has benefited greatly from the Chia Tai Group's investment in China.

At his Bangkok press conference, Li Peng expressed the hope that Thai capitalists would invest in China, and he welcomed them to do so. He stressed that only the Chia Tai Group has invested in Hainan and that China would welcome other Thai capitalists to do the same.

It is no accident that Li singled out Chia Tai.

The founder of the Pu-feng Group of Thailand, which recently purchased Yu-hua, a Chinese company that has the control of the stock, was Mr Hsieh I-ch'u [6200 2496 0443], who hailed from Shantou, Guangdong, and always loved his hometown.

In 1921, young Hsieh and his brother, Hsiao-fei [1421 7378], emigrated from Shantou to Bangkok, where they established a small trading company, learned the ropes of dealing in seeds, ran their business carefully, and

gradually prospered. In 1953, Hsieh I-ch'u's sons, Cheng-min [2973 3046], Ta-min [1129 3046], Chung-min [0022 3046], and Kuo-min [0948 3046], established the Pu-feng Feed Plant in Thailand, which expanded rapidly due to good management, and now the Pu-feng Group is one of the 10 largest corporations in Thailand and one of the most famous agricultural businesses in Southeast Asia and even the world, with 12,000 direct employees and operational organs in China, Indonesia, Malaysia, Singapore, Japan, Portugal, Belgium, Turkey, and the United States.

Pu-feng began its operations in Hong Kong in 1974. Its heads, Hsieh Chung-min and Hsieh Kuo-min established the Pu-feng Group (Hong Kong), Ltd, a feed plant, and a variety of trading agencies dealing in commodities, agricultural produce, and farm equipment. The firm has prospered for many years, so well in fact that it started selling stock on the Unified Exchange of Hong Kong in April 1988 under the name Pu-feng International Co, Ltd.

Surveys and careful planning played an important role in the Hong Kong branch's effort to invest on the Chinese mainland.

During the early period after China initiated reform and began to open up to the outside world, in 1979, the top decision makers of Pu-feng (Hong Kong), Hsieh Chung-min and Hsieh Kuo-min, set up Chia Tai Development (Hong Kong), Ltd and resolutely assumed the lead in investing and setting up factories in Shenzhen.

Now, after 10 years of investing in China, Chia Tai has agencies in Shenzhen, Shantou, Shanghai, Beijing, Changchun, Yueyang, Kaifeng, Chengdu, Guangzhou, Hainan, and Shekou and is involved in three general types of investment: agriculture and food processing, conveyances, and petrochemicals.

The firm is about to set up new beer, motorcycle, feed, and food-processing plants and poultry and aquatic breeding farms in Shanghai, Qingdao, Penglai, Fuzhou, Hainan, and other places.

In its 10 years of operation, the firm has tapped the successful experience of the Pu-feng Group and adopted an integrated approach ranging from breeding to processing and marketing, demonstrating the tremendous success the firm has achieved. All of the projects the firm has initiated under joint ventureship with China have yielded excellent returns due to the sincerity of the cooperation and to excellent management. The Shanghai I-ch'u Motorcycle Co, Ltd, has been designated by the Chinese government as one of the 10 best Sino-foreign joint ventures in China.

Chia Tai, which recognized the great potential of the Chinese market 10 years ago, remains very interested in investing in China and now has even more experience and confidence. According to recent reports, the firm has

decided to cooperate with relevant Chinese units and to invest \$3 billion [Hong Kong dollars] in shrimp raising and cement production in Hainan Province. The firm has also focused its sights on Shekou, believes that the zone has the needed transport and energy infrastructure for the development of modern vegetable oil processing, and thus has signed an agreement with the zone to invest as much as \$3 billion [Hong Kong dollars] there.

The firm was one of the earliest and is one of the largest foreign investors in China and has rendered important assistance to China's effort to modernize its agriculture and to run it like an enterprise. Hainan Vice Governor Tsou Erh-k'ang [6760 1422 1660] said that Chia Tai's investment in and assistance to Hainan marks a historical turn in the province's agriculture from traditional, closed off, and small-scale production to modernized, externally oriented, market economy.

#### **VI. Thailand Is Friendly Toward Chinese and the Chinese Language**

Southeast Asia was where the ancestors of most Chinese emigrants ended up, so the question of how well the region treats Chinese is very important. Certain countries in the region have foolishly excluded and attacked Chinese, on whose strength the countries ought to rely and with whose forces the countries should unite, a tragic situation in which all sides lose more than they gain. Thailand's friendliness toward Chinese and the way this relationship has promoted social unity and economic development in that country can serve as a model from which other nations may learn.

It is reported that, during a visit to the Thai-Chinese Requitement-Benevolence Foundation on 14 October 1988, Mr Chaloem Yubamrung, minister attached to the Office of the Prime Minister, said that the Thai government is considering relaxing controls on Chinese education and stressed that many Chinese live in Thailand and that the Chinese get along harmoniously with Thais and should be treated equally without discrimination. He said that the Chinese retain their culture, customs, and tradition in Thailand, so it is understandable that they would want to set up schools using Chinese, a practice that is permitted by law. He expressed the belief that the ability of the Chinese to use their native tongue will help make Thailand's economy prosper, as trade and cooperation are growing between China and Thailand and the country needs more people who know Chinese.

And it has also been noted that former residents of Thailand who have lived in Hong Kong for less than 7 years and who wish to return to Thailand to see relatives or travel, now need only have a valid visa stamped with a green seal to do so. This new policy, too, has been well received.

#### **VII. The Four Principles of China's Policy Vis-a-Vis ASEAN**

In brief, the four principles of China's policy vis-a-vis ASEAN, which were announced by Li Peng in Bangkok, are as follows: While China's social system differs from those of ASEAN countries, relations can be handled well so long as the five principles of peaceful coexistence are strictly followed; problems left over by history should be resolved through friendly consultation; China's cooperation with ASEAN nations in economic, trade, and scientific and technological spheres should be strengthened in accordance with the principles of equality, mutual benefit, and common development, and China hopes to become an important economic partner of all ASEAN countries; and China opposes and does not seek hegemony.

These principles have been effected very well in China's relations with Singapore, Thailand, and other countries and probably will help China and Indonesia find channels for dialogue. It would appear that hopes for reestablishment of relations between China and Indonesia and establishment of formal diplomatic relations between China and Singapore and Brunei are not extravagant.

#### **Automobile Industry Output, Demand To Slow**

*HK3103092789 Beijing CEI Database in English  
31 Mar 89*

[Text] Beijing (CEI)—China's automobile industry will slow down with a reduced demand due to the current tightening on the scale of investment, overheated consumption and curb on inflation.

First, the growth rate of industry for 1989 is set at 8 percent, 9 percent lower than last year. According to analysts, an industrial output of every 10 billion yuan demands a production of 350,000 automobiles.

Second, the shift of emphasis from processing industry to the industries of energy and raw materials in short supply will effect automobile industry because the growth of processing industry creates a demand for automobiles 2.6 times bigger than that of basic industries.

Third, this year's policy of trimming finance and fiduciary loans will also effect the automobile industry. It is calculated that the increase or decrease of every 10 billion yuan of the total fiduciary loan will effect the production of 30,000 automobiles.

However, there is a contradiction in the automobile market: automobiles are in short supply, but unsalable at the same time.

Some of the production capacity will lie idle because the country has set a target of 500,000 automobiles while its capacity can reach 750,000.

The structure of social demand this year will change too. The total demand for automobiles is estimated between 550,000 to 600,000, of which microcars account for 9.5 percent, mini-automobiles 29.3 percent, medium-sized trucks 25.9 percent, and heavy-duty trucks 1.5 percent, special automobiles 7.6 percent, cars 19 percent, large and medium-sized buses 7.2 percent.

This year's trend shows an increased demand for light automobiles against medium-sized trucks. The over-heated demand for cars is expected to be cooled slightly; the sale of large and medium-sized buses is also expected to drop.

Brand automobiles will sell well against poor quality products; the sale of light automobiles will look bright whereas the medium-sized may appear sluggish; and it may be more difficult for the sale of heavy-duty trucks.

## CONSTRUCTION

### Official Urges More International Construction Contracts

40060435a Beijing JIANZHU [ARCHITECTURE & CONSTRUCTION] in Chinese No 2, 7 Feb 89 pp 14-15

[Article by A Zhen 7093 4176: "China Should Try To Make a Good Impression in International Engineering Projects"]

[Excerpt] [passage omitted]

At this low point in capital construction in China, the lack of work for construction units has become a major difficulty in the construction industry. As the basis for resolving this difficulty, Yao Bing [1202 0365] has idealistically pointed out that China's builders should knock at the door of the Soviet Far East.

This "Far East plan" has substance and insight. Yao Bing feels that, since China has a large population with abundant labor resources, if we consider this carefully we will see that this resource could prove decisive in international labor markets. During the summer and fall of 1988, Yao Bing twice visited the USSR, where he made a careful investigation of the economic situation, prospects for growth, and the construction industry of the Far East region. He said, "the Soviet Union Far East region lacks labor, the volume of the demand for labor is considerable, and estimates for plans for the region in the year 2000 show that there will be a shortage of at least 3 million laborers. Relations between China and the USSR have begun to thaw, and both sides are sincere and interested in economic cooperation. When our construction delegation from Heilongjiang Province visited the USSR we were always treated as guests, and many enterprise units sought to sign contracts with us. In 1989, Heilongjiang Province will send 5,000 construction workers to the Far East region of the USSR, and it is estimated that by 1990 as many as 20,000 Chinese could be working there."

When Yao Bing met with me, he analyzed a series of problems currently faced in international construction contracts, and he mentioned three points about which he had written to the State Council. He said that, first of all, we should be treating international engineering contracts with as much importance as we treat coastal economic development strategies, and this subject should be a state policy that is included among national economic plans. As he spoke of this point, he pointed out that this has been determined by China's labor resources, which can not only meet the demands of the international construction markets, but can also open new channels for funding sources for China's building industries. China has a construction contingent of 24 million people, which is much more than what is needed for the task of domestic construction. The number of people we have involved in international contracting is only 1 percent of all people involved in international engineering contracts, and we have not even 1 percent of available contracts. This is such a shame and especially unsuitable for a large country with a population of 1 billion. The lessening of tensions in the world has released a second wave of construction, and international construction markets are currently shifting from the Middle East and North Africa to the Pacific rim of Asia and to Europe and the Americas, with the construction markets of North America, Japan, and the Soviet Union being the broadest. For these reasons, China cannot miss these opportunities again.

Yao Bing stressed that the second suggestion is that the Ministry of Urban and Rural Construction and Environmental Protection should provide specific organizational facilities in order to open up foreign construction markets. He said that opening up international construction markets is not a matter of expediency, and that it should be viewed strategically. We must integrate the overall considerations of domestic construction and use this opportunity. We can learn from more advanced experience gained by construction abroad, which will in turn stimulate the restructuring and development of our domestic building industries. At the same time, we would be learning to make the most of our own advantages by establishing the presence of Chinese builders in international construction markets.

He offered a further analysis: "The format of international engineering contracts is varied. There are key general and partial contracts, there are arrangements to provide workers to work in foreign enterprises, there is the import and export of construction machinery and materials, and there is also a mode of international operations headed by one industry but having many parts. These forms are all different from economic trade, as they are more specialized and technical, and although related to economic trade, there are also differences. All this means that the international engineering contracting industries require a group of comprehensive personnel who should not only be specialists in aspects of engineering technologies but should also be capable of trade negotiations. As it happens, we have a preponderance of

skilled personnel in our building systems, and the Ministry of Construction has formed contingents of experts and staff for China's involvement in foreign engineering contracts. At the same time, we must also train a domestic reserve force to ensure that construction contingents will not continue flowing out of the country. Obviously, foreign engineering contracts must be handled together with the specific organizational facilities of the Ministry of Construction."

Yao Bing is quick in his thinking and has a rich overall understanding, but at the same time he is not lacking in his ability to see particular problems. This advantage is aided by his personality since he does well at coordinating things. He likes to make friends with young people, for he says that in that way he can avoid premature senility.

When he spoke about the third suggestion, he said that he believes that the key to whether China can gain a stable foothold in international engineering contracts will be in whether the organizational leadership is strong enough. He recommends that there be a restructuring of the foreign engineering contract system to gradually build up a complete series of rules, regulations, and policies that both can meet the demands of different regions and countries around the world, and can safeguard China's national interests. In order to strengthen the organizational leadership, he recommends setting up in our embassies throughout the world specialized organizational structures to manage the foreign-contracted projects, as well as that the Ministry of Construction should be responsible for sending out specialists who understand the engineering contractual mission and who would then be in charge of diplomatic and economic counseling assistance. Otherwise, management from too many areas could lead to obstruction, certainly resulting in waste and lost opportunities.

Yao Bing believes that China can expect to bring confidence to China's builders by establishing a presence in international engineering contracting. At the same time, this should all be appropriately coordinated with the relevant ministry commissions and the Ministry of Urban and Rural Construction and Environmental Protection. In particular, from an overall perspective, the Ministry of Foreign Economic Relations and Trade should take a close look at the relations between the engineering contracts and economic trade so that both might be mutually furthered. And the financial sector should provide advice on aspects of international currencies to determine the directions of utilization of currencies after certification.

## FOREIGN TRADE, INVESTMENT

### State Council Tightens Control Over Foreign Loans

HK2703025289 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 27 Mar 89 p 2

[By staff reporter Guan Shan]

[Text] The State Council's decision last month to tighten control on foreign loans will not hurt foreign bankers' lending business with China, according to Wang Yake,

chief of the Legal Division under the State Administration of Foreign Exchange Control.

The decision was part of the government's effort to bring the increase in foreign debt under control. The government wants greater efficiency in the use of foreign commercial loans.

Wang said the decision was designed to stress the fact that financial institutions are the major channel for contracting foreign loans and restrict direct borrowing by individual enterprises.

The financial institutions authorized to borrow foreign loans and float bond issues abroad on behalf of the central and local governments were limited to only 10.

They are the Bank of China, Bank of Communications, China Investment Bank, China International Trust and Investment Corporation, Guangdong International Trust and Investment Corporation, Fujian Investment Industrial Corporation, Hainan International Trust and Investment Corporation, Shanghai Municipal Investment and Trust Corporation, Tianjin International Trust and Investment Corporation and Dalian International Trust and Investment Corporation.

"This is because the 10 are major windows of the country to the outside world," Wang said. "they have a high credit-standing on the international capital market."

The 10 financial institutions are allowed to borrow and issue bonds after they get approval from the People's Bank of China and its authorized branches, he said. However, Wang said, "that is not to say that other financial institutions are prohibited from borrowing from foreign bankers as some foreigners fear."

The latter may borrow from abroad provided the projects have been authorized by the State Plan to use foreign capital. They must get approval from the People's Bank of China before borrowing. But they will not be authorized to issue bonds abroad, Wang said.

Contracts already signed between foreign banks and other Chinese financial institutions will remain valid if approved by the People's Bank of China, Wang said.

Governmental departments are not allowed to act as guarantors of loans. The guarantees given by third party corporations shall not exceed the amount of foreign exchange at their disposal.

Wang said the tight monetary policy has made it difficult for enterprises to get credit from domestic banks, so they are seeking foreign loans.

It is necessary to use foreign capital, but the borrowing must be within the country's debt-servicing ability, Wang said. Too many foreign loans will worsen the capital investment situation.

The decision shows strict supervision over the use of short-term loans. Short-term loans borrowed by any financial institutions shall not exceed the quota stipulated by the People's Bank of China.

Short-term loans are not allowed to be used for fixed asset investments.

The government is urging financial institutions to seek more official development loans of a long-term nature rather than short-term commercial loans.

#### **Status of Overseas Investment Ventures Examined**

*OW2703091389 Beijing XINHUA in English  
0737 GMT 27 Mar 89*

[“Roundup: China Expands Overseas Investment (by XINHUA correspondent Chen Ming)”—XINHUA headline]

[Text] Beijing, March 27 (XINHUA)—China poured 250 million U.S. dollars into a joint-venture project in the Channar Iron Mine, western Australia, in 1987.

In return, Chinese iron and steel producers will receive badly needed “food” from Oceania late this year.

In new world, China bought from Coastal Corp, a major U.S. refining and energy concern, a 50-percent stake in its refining and marketing assets in California and Oregon last year.

Today, gasoline stations in the United States are pumping Chinese oil from Daqing, the largest oilfield in China, into American family saloons.

The above ventures reflect China's current efforts in overseas investment and its edging into the world economy.

That was unthinkable in the past three decades or so when China was isolated and its investment in other countries was unheard of.

The situation changed dramatically only after China declared its opening to the outside world in 1979.

Chinese observers say there are three reasons for the overseas investment:

The first is to launch joint ventures on foreign soil, thus building up marketing channels for its own products on the international market.

Secondly, China invests in energy and raw materials projects in foreign countries so that it can offer its domestic industries reliable sources of raw materials.

The last is to obtain advanced technology, especially management skills, through joint ventures with foreign partners, especially the industrially developed countries.

Specialists from the research center on economic, technological and social development of the State Council hold that the ultimate aim of China's opening to the outside world is to get rid of the self-cycling and self-serving economy and to build up an export-oriented economy.

To date, China has established 526 joint ventures involving a total investment of 1.9 billion U.S. dollars in 79 countries and regions.

Last year alone, Chinese entrepreneurs launched 170 joint ventures. Of that number 34 projects went into operation and made profits in the same year.

According to the Ministry of Foreign Economic Relations and Trade, 55.5 percent of 526 joint ventures funded by the Chinese are profitable in foreign countries and 35 percent of them pay their way.

China's overseas investment is mainly in Australia, Canada, Hong Kong, Federal Germany, Japan, Thailand, and the United States. China has also invested in third world countries, including Madagascar, Malta, Mauritius, Nigeria, and Yemen.

The investment covers a wide range, from resource development and industrial and agricultural production to assembling, ocean fishing, processing, contracted projects, transport, medicine, catering services, tourism, and hotels.

The number of people working as managers, technicians, and skilled workers in joint ventures in foreign countries had grown to 3,000 by the end of 1988.

Liu Zhiben, deputy director of the department of foreign economic cooperation of the Ministry of Foreign Economic Relations and Trade, said: “Now that China's door is open, foreigners can come in and we Chinese can go out.”

China's State Council has promulgated a set of rules on the management of overseas investment in a bid to minimize possible risks from overseas businesses.

Chinese foreign exchange control departments have been authorized to examine the possible risks of overseas investment made by all companies, businesses, and economic entities.

Despite headway, problems still remain in overseas investment. For one thing, China's overseas investment was hindered by the lack of experience which made it hard for the Chinese investors to compete with rivals.

A Chinese specialist said that China's businesses are still not flexible enough in investment. Most are sole Chinese-funded enterprises and joint ventures.

He suggested that they should expand their business in international cooperation, such as leasing, purchasing shares in companies, mortgages, and stock dealings.

#### Patent Applications Increasing Steadily

*OW0104091089 Beijing XINHUA in English  
1641 GMT 30 Mar 89*

[Text] Beijing, March 30 (XINHUA)—China has made marked progress in implementing its Patent Law since it first went into effect on April 1, 1985—with 92,969 applications accepted and 21,920 patents granted.

This was disclosed today by Jiang Minkuan, director of China's Patent Office, at a ceremony marking the 5th anniversary of the promulgation of the law and the 4th anniversary of its enforcement.

Jiang said that the number of applications showed a steady increase with each passing year. In 1985, there were only 14,372, but the figure rose to 34,011 in 1988.

Chinese applicants accounted for 78.9 percent of all applications, he said, but China has also accepted patent applications from 59 countries and regions—the most notable being the United States, Japan, and Federal Germany.

China decided to accept applications from Taiwan in December 1987. At the end of 1988, the mainland had received 108 patent applications from Taiwan, he said.

Jiang said that the implementation of the Patent Law has promoted scientific development, economic growth, and the introduction of advanced foreign technology to China.

Approximately 30 percent of patented technologies have been put into practical use, he said. Investigations of 146 such technologies indicate that they have brought in an additional 1.69 billion yuan and have earned 17.63 million U.S. dollars.

Jiang said the 4 years saw a big increase in business applications. In 1986, their number only accounted for less than one-third of those submitted by institutions of higher learning.

In 1987, however, business and industrial applications exceeded those of universities (to reach 3,078) and the figure in 1988 showed an increase of 14.2 percent over 1987, he added.

The director declared that next November the Patent Office will jointly sponsor an international symposium with the World Intellectual Property Organization (WIPO) in Beijing.

At the meeting, 10 patented technologies will be awarded the "China Patent Gold Medal."

To further promote the work, China will start a special newspaper called CHINA PATENT WEEKLY on April 1.

#### LABOR

#### Labor Ministry Launches Job-Training Program

*HK3103042089 Beijing CHINA DAILY in English  
31 Mar 89 p 1*

[By staff reporter Guo Zhongshi]

[Text] The Ministry of Labour is launching China's first nationwide job-training system to ensure that all new workers get some level of pre-employment professional education by the year 1995.

The seven-year programme, which was worked out amid loud cries for skilled workers all over China, is expected to create more employment opportunities, improve labour quality and ease the strain in the current employment conditions, said Vice-Minister Li Boyong of Labour.

Millions of high school graduates, discharged servicemen, surplus farm hands and those who failed to find jobs last year are now seeking work in industrial, commercial and service firms.

Nearly 60 percent of these people go annually to new jobs in urban areas without first receiving any professional training.

China's "high employment rate has for a long time been achieved at the expense of enterprise profits," said Mao Xiaoyu, chief of the Department of Training and Employment in the ministry.

Because many new workers have no training or only a short period of apprenticeship, the problem of poor labour quality has already affected product quality, production safety, productivity and profits, Mao said.

As part of the plan, the ministry has decided to formulate a job-training law which will set technical standards for employees and an employment examination system.

People who fail the examinations may be rejected, transferred or demoted. Those who do well will have their contracts prolonged or be promoted.

Although China now has 4,000 secondary vocational schools, 1,600 professional training centres and more than 20,000 enterprise-run training programmes, the number is still far from enough to meet the need.

Mao said that in the next seven years, the ministry will raise funds for another 600 vocational schools with an enrollment capacity of 800,000 students and will increase the employment centres' training capacity to more than 1.2 million people.

Job applicants must either go through vocational schools or be formally trained in the enterprises.

Graduates of technical schools will be given the freedom to choose jobs, and enterprises will also be free to select their future skilled workers or technicians from the applicants, Mao said.

All these efforts are also aimed at preventing what Mao called the short-sightedness of enterprises that employ unskilled workers at the expense of long-term development.

To date, most of the enterprises in the large cities and medium-sized urban areas have already had a large part of their incumbent workers given some training, but the problem of workers lacking professional training remains serious for small towns and rural industry, Mao said.

## POPULATION

**Official Terms Family Planning Work 'Urgent'**  
*HK3003094489 Beijing RENMIN RIBAO in Chinese*  
29 Mar 89 p 2

[XINHUA report: "Peng Peiyun Stresses Need To Enact Law on Family Planning"]

[Text] Beijing, 28 Mar (XINHUA)—On 27 March, while attending the discussion meeting of the Heilongjiang delegation to the National People's Congress (NPC), Peng Peiyun, minister of the State Family Planning Commission, pointed out that an urgent task in the family planning work is to strengthen leadership and quicken relevant legislation.

Peng Peiyun said that the current situation in the field of family planning in our country is rather stern. The phenomena of slackening leadership over the family planning work and submitting false reports exist to a serious degree in various localities. The party central leadership and the State Council have paid close attention to these problems. Premier Li Peng recently said that the State Council will hold two work conferences each year to coordinate the family planning work and to solve problems in this field, and he will personally preside over these meetings. Principal party and government leaders in all localities should also personally take care of this work, and the responsibility system for this

work should be adopted at all levels in order to achieve solid results in a short time. The State Statistics Bureau will publish the annual natural population growth rates for various provinces, autonomous regions, and municipalities every year so as to intensify the supervision over the family planning work in various localities.

Peng Peiyun pointed out that in order to stop the serious condition in some poor areas where population has grown too rapidly and has exceeded the limits to too large a degree, the State Council has decided that financial assistance to the poor areas will be linked to the results of family planning in these areas. Meanwhile, measures will be taken to "eliminate" the "overproductive guerrillas" among the mobile population.

When talking about legislation concerning family planning, Peng Peiyun said that it is hard to promote family planning without the legal foundation, so it is an urgent task to advance relevant legislation. The State Council has decided to formulate the interim regulations on family planning this year, and then complete official legislation when conditions are ripe.

## AGRICULTURE

**Scientist Urges More Insect Control**  
*OW2803051689 Beijing XINHUA in English*  
0851 GMT 25 Mar 89

[Text] Beijing, March 25 (XINHUA)—China could save 10 million tons of grain a year if more attention is paid to the control of crop-killing insects, a senior agricultural scientist says.

Bao Jianzhong, head of the Chinese Academy of Agricultural Science's Office of Biological Control, warns that plant diseases and destructive insects are on the increase in China. Many kinds of injurious insects, such as the wheat aphid, panstenos walker, and Asian migratory locust—which had been controlled for years—are spreading again, he says.

In an interview in today's GUANGMING DAILY Bao says that China loses 15 million tons of grain a year as a result of damage done by plant diseases and insects.

But if crops are better protected, at least 10 million tons of the lost grain could be saved, he adds.

Bao said China now relies mainly on chemical pesticides for crop protection. The chemical pesticides are necessary, Bao stressed, but more attention should also be paid to biological, which is cheaper and causes no pollution.

Biological control (a way of using the natural enemies of the insects to kill them) is now used on 20 million hectares of farmland—accounting for slightly more than 10 percent of the total cultivated acreage in the country, according to Bao.

He called for the establishment of a national consultative office in charge of biological control and a national research center on the development of micro-organic pest killers.

**Statistics Bureau Reports Bigger Area for Oil Crops**

*OW2903144689 Beijing XINHUA in English  
0857 GMT 28 Mar 89*

[Text] Beijing, March 28 (XINHUA)—The area that China has sown in oil crops this year is estimated to have increased by 266,000 hectares after 3 successive years of decrease, according to data provided by the State Statistical Bureau.

Sesame, peanut, and rapeseed will increase by 8.3, 4.9, and 1.8 percent respectively.

China attaches great importance to the production of oil crops and has introduced some inducements for their cultivation since last year.

High returns, a good market, and easy management also encourage farmers to plant more oil crops.

The areas of Shandong and Henan Provinces sown in peanuts this year will increase by 4.3 and 5.9 percent, respectively, on last year's figures.

The statistical data show that there is a great potential increase in oil production because the yield per unit area is still very low.

The average production of oil crops per hectare reached an historical high of 1,455 kilograms in 1984, but it dropped to 1,245 last year.

**Inner Mongolia Animal Husbandry**  
*SK2503113489 Hohhot INNER MONGOLIA  
REGIONAL SERVICE in Mandarin  
1130 GMT 23 Mar 89*

[Excerpt] The region's animal husbandry production is gratifying. According to incomplete statistics, by 5 March this year large and small animals throughout the region gave birth to 4.922 million young ones. Of these young animals, those born by small animals reached 4.815 million, a 1.495-million-head increase over 1988. The survival rate of young animals reached 93.48 percent. The death of both full-grown and young animals showed a 225,000-head decrease from 1988. [passage omitted]

**Progress in Sanjiang Plain Development Reported**  
*SK2703032389 Harbin HEILONGJIANG  
PROVINCIAL SERVICE in Mandarin  
2200 GMT 25 Mar 89*

[Text] Despite shortages of funds and materials, our province has made progress in the agricultural development of the Sanjiang plain. Since last year when the provincial government signed an agreement with the State Council on the development of the Sanjiang plain, the province has transformed 1.2 million mu of low-yielding farmland, reclaimed 500,000 mu of wasteland, afforested 600,000 mu of land, improved 200,000 mu of grassland, dug 98 km of the major course of Qixing He, built more than 300 km of roads around the farmland, sunk more than 1,800 pump wells, and built more than 1,200 water conservancy works, thus improving the production conditions of some cultivated land.

**Shanxi Crop Area Increases**

*40060557c Taiyuan SHANXI NONGMIN in Chinese  
23 Mar 89 p 1*

[Summary] Based on a survey of 2,100 rural households in 35 counties, in 1989 the estimated crop area in Shanxi Province is 60,290,000 mu, an increase of 300,000 mu over 1988. The grain area will decrease 240,000 mu from 1988; the cash crop area will increase 400,000 mu over 1988 and the area sown to other crops will increase 140,000 mu over 1988. The area sown to oil crops may exceed 6 million mu; the tobacco area may reach 180,000 mu; and the area sown to hemp may reach 110,000 mu.

**Sichuan To Use World Bank Loans To Create Commercial Forests**

*OW2903153489 Beijing XINHUA in English  
1528 GMT 27 Mar 89*

[Text] Chengdu, March 27 (XINHUA)—This year Sichuan Province will use 82.5 million yuan in loans from the World Bank to build commercial forest centers in 13 counties of the province's southern areas.

A local official disclosed that total area of the commercial forest centers to be built will reach 100,000 hectares, including 72,000 hectares of newly planted trees and 28,000 hectares of seedlings.

The official said the provincial government will also raise another 100.29 million yuan for the project by mobilizing financial departments at provincial, prefecture, and county levels to allocate money and encouraging individuals to invest their money in the project.

The whole project will be built in six years.

Experts predict that in twenty years, these centers will provide China with 21 million cubic meters of useful timber and 3.3 million tons of fuel timber.

**Sichuan Succeeds in Aerial Seeding**  
*OW2503191389 Beijing XINHUA in English  
1531 GMT 25 Mar 89*

[Text] Chengdu, March 25 (XINHUA)—Sichuan Province has succeeded in aerial seeding at altitudes of up to 3,000 meters, according to a local official.

He Hanqin, the official in charge of aerial seeding in Sichuan, said that the aerial seeding in one county resulted in a 30-percent germination.

He said that aerial seeding was carried out in areas 1,000 meters above sea level which have abundant rainfall.

Sichuan, China's most populous province with over 100 million people and covering 560,000 square kilometers, started aerial seeding in 1958. Two million hectares have been planted with trees this way.

The resulting forest has provided 300,000 tons of fuel wood and 200,000 cubic meters of timber, according to he. He said that the province will continue to cover about 80,000 hectares by aerial seeding each year.

**Yunnan Vegetable Shipments**  
*40060557b Kunming YUNNAN RIBAO in Chinese  
25 Mar 89 p 1*

[Summary] By 20 March, Yunnan Province had transferred over 68 million kilograms of fresh produce to Beijing, Tianjin, Harbin, and other northern cities.

**Critique of Human Rights Record**  
40050355 Hong Kong CHENG MING  
[CONTENDING] in Chinese  
No 137, 1 Mar 89 pp 33-37

[Article by Ouyang Minglang 2962 7122 2494 2597:  
"The Present Situation and Future Prospects of Human  
Rights in Mainland China"]

[Excerpts] [Passage omitted] In recent months, a very small "human rights mania" has been set off in the CPC media, and several newspapers with relatively liberal views, such as the SHIJIE JINGJI DAOBAO, FAZHI RIBAO, SHEHUI KEXUE BAO, JINGJIXUE ZHOUBAO, and ZHONGGUO QINGNIAN BAO, have run articles about human rights. The views expressed in these articles are extremely lacking in thoroughness, and some have misleading elements, but it requires enormous courage indeed to dare to openly discuss human rights in a nation which does not respect human rights.

The CPC is a political party that believes in the "philosophy of struggle," and its history is a series of illegal, violent struggles; such a political party naturally rejects human nature and humanitarianism, and, naturally, does not respect human rights, either. Therefore, the CPC has consistently stated that "human rights" is a slogan by which the bourgeoisie deceives people; mass criticism of the "bourgeois theory of human nature" was carried out before, during, and after the Cultural Revolution, and a "Wipe Out Spiritual Pollution" movement was started as late as 1983, in which nationwide mass criticism focused on humanitarianism.

Then why is the CPC now assuming the posture of allowing the party's mouthpiece to openly discuss human rights, and seriously "commemorating the 40th anniversary of the birth of the 'Universal Declaration of Human Rights'" when it does not recognize this declaration?

The CPC's sudden interest in human rights is by no means due to its sudden discovery of its conscience; rather, it was compelled by strategic considerations, in order to continue its one-party rule, which is in a constantly deepening crisis. This has two factors, one internal and one external.

The emergence of China's human rights issue, like the emergence of the Western world's human rights issue, is an historical process. Although the concept of human rights was put forward in a period of capitalist enlightenment during the dark Middle Ages, it was after World War II that it really attracted the world's attention. The fascist atrocities of the period of World War II caused unprecedented disasters for mankind and aroused the righteous indignation of people throughout the world, who strongly demanded the protection of human rights. [passage omitted]

The CPC has ruled mainland China for 40 years, and the movements it has launched during that time, especially the Cultural Revolution, have brought unprecedented calamity to the nation's people; the vast populace without law and rights has allowed itself to be trampled on and has long lived in fear. Since awakening, the Chinese people have constantly demanded legal protection and an end to the absence of rights.

The CPC's violations of human rights first began with the abuse of the death penalty, which was an important factor, causing cases of injustice and aggravating social contradictions. How many people has the CPC killed? The following are some incomplete statistics:

The October 1950 issue of XINHUA YUEBAO disclosed that 1,206,000 people were shot to death in the eastern, south central, northwestern, and southwestern war zones alone.

After entering the "period of peace," the RENMIN RIBAO disclosed in 1951 that 987 people had been killed in four mass executions alone: on New Year's Day in Shanghai, on 23 May in Beijing, on 15 June in Shanghai, and on 12 July in Tianjin.

According to estimates by some commentators, 10,300,000 people were killed after 1952 in the "Suppress Counterrevolution" and "Wipe Out Counterrevolution" movements.

According to an estimate in an article in the second issue of JINGJI GUANLI in 1981, 20 million people were executed or died of other unnatural causes during the "Anti-right" and "People's Communication" movements.

Deng Xiaoping and Hu Yaobang disclosed to foreign reporters that approximately 10 million people were killed in the Cultural Revolution. [passage omitted]

The CPC's acting in utter disregard for human life did not cease for even an instant after the CPC entered the period of reform; in just one 1983 movement to crack down on crime, several hundred thousand people were arrested, more than 10,000 were shot to death, and all were "quickly and sternly" punished.

For the time being, the world has no way of knowing exactly how many people were killed by mistake in the above slaughter movements, because the CPC is strictly covering it up, but the number would certainly be astounding. In autumn 1985, nationwide student upheavals broke out in mainland China, marking the beginning of a large-scale opposition movement in Chinese society, and voices calling for further liberation of people's thinking and substitution of rule by law for rule by men became increasingly loud. From this time on, each case of human rights violations has been constantly ferreted out by judicial circles and the media:

According to reports in the mainland press, in the first half of 1986, 1,089 people were beaten to death or injured in beatings when detained by police, or were illegally detained.

According to a report in Shanghai's JIEFANG RIBAO, the number of cases of human rights violations by prosecuting organs filed in recent years has increased year by year; the cases of human rights violations investigated between 1986 and the first half of 1988, which comprised nine types, including extorting confessions by torture, illegal detention, illegal entry into the residences of others, and lodging false charges, totaled 9,559 cases, accounting for only 36 percent of the cases filed, and in most of which the accused were law enforcement personnel and grassroots-level cadres.

The 18 January 1989 issue of the RENMIN RIBAO reported that a total of 11,300 cases of human rights violations were investigated in 1988, including such acts as illegal prosecution, forced confessions, beatings, illegal arrests, and unauthorized search and seizure, and that the persons involved in these cases included more than 50 high-level cadres, 2,600 police and cadres, and 12,250 employees of collective enterprises.

In addition, an official of the Supreme People's Procuratorate has disclosed that during the 8 years between 1980 and 1988, a total of more than 558,000 cases of illegal acts by police and other personnel employed in prisons and detention centers were handled nationwide, an average of 69,750 cases annually and 194 cases daily.

Below are some typical cases:

On 17 March 1986, eight veteran public security officials of the public security bureau of Lishi County, Shanxi Province, including Deputy Bureau Chief Guo Wanchun [6753 8001 2504], Preliminary Investigation Section Chief Gao Zhankui [7559 0594 1145], Criminal Police Team Deputy Chiefs Wang Jianming [3769 1696 2495] and Jiao Ende [0829 1869 1795], and Tianjiahui Police Substation Chief Zhang Qing [1728 3237], together with Investigator Song Nan [1345 0589], took into custody Gao Qianhu [7559 0467 5706], 32, a Tianjiahui Township peasant not involved in a rape case, and attempted for more than 10 hours to extort a confession from him by torture, maiming his left arm. The Lishi County Court tried this case on 16-17 November 1988 and pronounced the judgment that "the defendant Guo Wanchun is not guilty" and "the defendant Song Nan is guilty of extorting a confession by torture, but will be exempted from criminal punishment in accordance with the principle of lenient sentencing." (Fortunately, the procuratorate was recently forced by public opinion and high-level pressure to file a protest.)

On 10 October 1987, Peng Qiongying [1756 8825 5391], a young woman of Longhui County, Hunan Province, was taken to the Jinshiqiao public security substation for questioning and was brutally beaten many times and

illegally detained by Substation Chief Chen Wansheng [7115 8001 0581], People's Policemen Chen Ziyuan [7115 5261 6678] and Su Xingyou [5126 5281 0645] and others. Peng said that she would report them, and one of the people's policemen said, "My hitting you is like the striking of a thunderbolt; even if you report it to the United Nations, it won't do any good!" Because Peng declared that she had pledged her life to reporting this public security substation, which the local residents called the "China-U.S. Cooperation Office," the leader of the county public security bureau personally drove to Peng's house in order to compensate her with 1,000 RMB in hush money and urge her not to report the incident and to gloss over it to avoid trouble. The county public security bureau also requested the press not to publicly report this case, in order to protect the image of the public security personnel. A verdict was reached in this case in 17 October 1988; Chen Wansheng was sentenced to 2 years imprisonment and 3 years probation and Su Xingyou was sentenced to 1 year 6 months imprisonment and 2 years probation. Both jointly compensated Peng Qiongying's financial losses of more than 280 yuan.

On 30 October 1987, seven members of the criminal police team of the public security bureau of Xinlang City, Henan Province, including Deputy Team Chief Wang Weiying [3769 0251 5391], used electrified truncheons to force a confession from Li Rongcheng [2698 2837 2052], a teacher at the city's Number 19 Middle School, and the innocent man was beaten to death. Officials of the public security bureau's discipline inspection section, rather than investigating the responsibility of the police officers, inquired about whether the dead man had been sick while alive, in an attempt to shift the blame from the assailants. After Li Rongcheng's death, his wages were stopped and his four daughters, left with nothing to live on, put on mourning apparel and kneeled pitifully on street corners in order to eat. Since all of the police assailants were sons of cadres of the local political and legal system, they were known as the "crown prince team," and there was no way to lodge a complaint against them locally; the family of the dead man had no choice but to go to Beijing to lodge a complaint and attract the attention of Beijing's legal circles and press circles to the case. However, since the policemen have "privileges under the law," there has still been no reply regarding this case.

On 21 September 1988, the Shenyang Railroad Public Security Branch Bureau suspected that someone was smuggling, and, against the objects of the Postal Department (after the event, it provided only a legally invalid "notice of detaining mail"), forcibly detained and inspected 1,509 bags of mail (containing more than 10,000 packages) sent from the postal departments of 55 cities and counties in Guangdong on several railroad cars. This act caused a sensation in China's mass media, and such newspapers as RENMIN YOUDIAN, FAZHI RIBAO, and MINZHU YU FAZHI monthly have run articles one after another criticizing this violation of

human rights by the Public Security Bureau. After this incident was exposed, Daniel, a foreign teacher at Shenyang's Gold Mining Institute, discovered that the mail he had received was torn and suspected that it had been opened by someone; enraged, he beat up the mailman and had him illegally locked up for 4 and 1/2 hours. The Shenyang City Post Office believes that many foreigners have doubted all along whether China is able to ensure the confidentiality of their communications, and exposure of the "21 September" incident has further deepened their suspicions about China's postal communications security. The Shenyang Post Office also pointed out that if postal staff and workers opened mail without authorization, in minor cases it would go on their records as a serious infraction, while in more serious cases they would be dismissed or even sentenced to punishment; but how could the Shenyang Railroad Public Security Branch Bureau have been allowed to open mail as it pleased, and to open as much as it pleased?

It is evident from the foregoing that CPC cadres have been opposed to the essence of human rights all along, and it is also evident that the idea of human rights has already been awakened in the people of mainland China, and that the CPC's reform faction must squarely face the human rights issue. Because of the awakening of human rights on the mainland, there are more and more people filing lawsuits, but the CPC's legislation and judiciary lag far behind the situation, obstructing the progress of economic and administrative reform. It is these various concerns which are the internal cause of the CPC's "opening" of human rights. [passage omitted]

There are two main external causes of the CPC's "opening" of human rights:

**1. Pressure From Western Nations.** With the progress of economic reform, the opening of society to the outside world has also been increased, and it has become easier for foreign media to learn of various inhumane acts and violations of human rights in mainland China, putting enormous pressure from public opinion on the CPC. Some well-known foreign public figures, politicians, and international organizations have directly or indirectly put pressure on CPC leaders. In particular, the endless quibbling of Amnesty International and other human rights organizations over the CPC's imprisonment of democratic activists such as Wei Jingsheng [7614 0079 3932], Wang Xizhe [3769 1584 0772], and Liu Shanqing [0491 1472 7230], and the constant seeking of "political asylum" overseas by mainland personages often cause the CPC big headaches. The CPC wants economic reform, and wants to bring in foreign capital and expand foreign trade, but its international reputation is poor, its judiciary lacks independence, and it is often accused of inhumane acts and human rights violations. This has often caused the CPC to lose trust internationally, and has tarnished its reputation. The CPC must squarely face this problem and dress up its appearance, and must also

stress the strengthening of its legal system and declare that it will protect the rights of citizens (it is still initially unwilling to say "human rights"), in order to improve its image.

**2. The Assault by the Wave of Reform in the Soviet Union and Eastern Europe.** All along, the CPC has implemented only economic reform and opening, and has not planned to implement political reform at all; even administrative reform has been difficult to get started, and demands for democratic reform of social politics, too, were initially banned. However, the reform which has suddenly appeared in recent years in the Soviet Union and the socialist nations of Eastern Europe has very rapidly made an assault on the CPC. [passage omitted]

It can be seen from the various facts above that the CPC's "opening" of reform was not voluntary, but rather was done under compulsion. Work which is done under compulsion is bound to be no good, and therefore the CPC's "opening" of human rights appears slow, obscure, and affected, and this has also given rise to the odd situation of the CPC's grandly celebrating the "Universal Declaration of Human Rights" even though it has not yet signed it.

The UN's "Universal Declaration of Human Rights," which concerns the basic human rights of every member of the human race, was born on 10 December 1948, and the following year, on 1 October 1949, the CPC regime was established. It may be stated that the "Universal Declaration of Human Rights" and the CPC regime have grown up together, and they have now both entered their 40th year.

On 7 December 1988, the Beijing FAZHI RIBAO ran an article entitled "Discussing the World Human Rights Issue," which stated: "Our stand on the human rights issue is clear and consistent. In 1955, Premier Zhou Enlai, representing the Chinese Government at the Bandung Asia-Africa Conference, clearly stated that respect for basic human rights and respect for the aims and principles of the UN Charter had been both the consistent stand of the Chinese people and a principle which China had consistently complied with. After China's seat in the UN was restored in 1971, and especially after participating in UN activities in the field of human rights in 1979, China has actively participated in activities protecting and promoting human rights, and has made contributions of its own."

This is really shameless. If the CPC had consistently respected human rights, it would not have slaughtered so many of its own compatriots, and State Chairman Liu Shaoqi and Defense Minister Peng Dehuai would not have ended up dying inhuman, tragic deaths. If the CPC really wanted to "protect and promote human rights" and "make contributions of its own," it would not have passed 40 years together with the UN's first human

rights pact, the "Universal Declaration of Human Rights," and still refuse to sign this most basic human rights pact, while 88 nations have already signed it. [passage omitted]

The CPC spurned the basic "Universal Declaration of Human Rights," "Human Rights International Convention on Civil and Political Rights," and "Human Rights International Convention on Economic, Social, and Cultural Rights," but participated in human rights activities in other minor areas of the UN, and has signed the "Convention on the Elimination of All Forms of Discrimination Against Women" (1980), "International Convention on the Elimination of All Forms of Racial Discrimination" (1981), "Convention on Refugee Status" (1982), "Protocol on Refugee Status" (1982), "Convention on the Prevention and Punishment of the Crime of Genocide" (1983), and "International Convention on the Prohibition and Punishment of the Crime of Racial Discrimination" (1983).

At the conference convened by the Beijing government in early December to commemorate the 40th anniversary of the publication of the "Universal Declaration of Human Rights," Bi Jilong [3968 1323 7893], president of the United Nations Association of China, expressed concern only for human rights in such regions as Cambodia, Afghanistan, South Africa, and Palestine. In this, the CPC is really attending to trifles and neglecting essentials, promoting "human rights" abroad while carrying on a dictatorship at home. [passage omitted] But who in the international community can really believe that an authoritarian regime which strangles human rights at home will really respect the human rights of the citizens of other nations? [passage omitted]

The CPC is concerned only with human rights of other nations, not its own; it is concerned with human rights in struggles between the peoples and races of other nations, but as soon as other nations in the international community became concerned with the issue of the Tibetan people under CPC control, Professor Zhu Qiwu [2612 1142 2976] of the China Politics and Law University (who also attended that conference) made the criticism that some people were turning the human rights issue into an excuse for interfering in the domestic affairs of other nations. [passage omitted]

Fei Xiaotong [6316 1321 6639], a muddle-headed old vice-chairman of the Standing Committee of the National People's Congress, stated even more shamelessly at the commemoration convention that basically all of the human rights stipulated in the "Universal Declaration of Human Rights" and other international human rights documents had corresponding stipulations in China's constitution and law, and that these, moreover, in many respects went beyond the standards of the "declaration" and were in certain respects more abundant, more realistic, and more advantageous. [passage omitted]

The "advance" by the CPC which has widely received world attention is its accession to the UN "Convention on the Protection of All Persons From Being Subjected to Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment," which it signed on 12 December 1986 and which was ratified by the Standing Committee of the National People's Congress on 5 September 1988. During the past two years, the CPC has regularly made public the statistical figures of criminal cases, and this may be related to its signing of this convention, since the convention requires signatory nations to regularly submit reports concerning the status of implementation.

However, in ratifying this convention protecting humanity, the CPC has taken actions which have greatly attenuated the convention. Zhu Qizhen [2612 0796 4394], vice minister of foreign affairs, in persuading the Standing Committee of the National People's Congress to ratify this convention, said that a small number of clauses in this convention did not accord with China's interests and consistent stand, and therefore recommended that when ratifying the convention it stipulate reservations regarding Article XX and Article XXX, Section 1, of the convention. When China has ratified or acceded to international conventions with similar clauses in the past, it has always adopted the stance of stipulating reservations.

Article XX of this convention states that if an "anti-torture commission" deems it necessary, it may send one or more members to signatory nations where torture has occurred to conduct secret investigations. The stipulations of Article XXX, Section 1, relate to the issue of arbitrating disputes over interpretation and application of related conventions; if no agreement can be reached on the formation of an arbitration tribunal, either side may refer the dispute to the World Court.

The CPC's nonratification of these two clauses is also due to its belief that all international monitoring of and adjudication concerning the CPC is a form of "interference in domestic affairs," which is harmful to its sense of the supreme authority of its one-party dictatorship. [passage omitted]

The CPC's FAZHI RIBAO recently ran a series of articles on human rights that did not neglect to point out that "the bourgeois slogan of 'human rights,' like the bourgeois revolution itself, has very serious limitations," and that "the 'Universal Declaration of Human Rights' passed by the UN in 1948 still has such limitations."

No matter what it says, the Communist Party still rigidly adheres to dogma, and no matter how much it may beat around the bush, it is still unwilling to acknowledge basic human rights belonging to the entire human race. [passage omitted]

The reason that the CPC has for 40 years not dared sign the "Universal Declaration of Human Rights" is that the 30 articles of this declaration overemphasize the humanity, human dignity, worth, and human rights of mankind, and overemphasize freedom, democracy, the rule of law, peace, public order, social welfare, and social ethics, while giving no emphasis at all to party spirit and autocratic discipline, and most of the articles are detrimental to the theory and practice of a one-party dictatorship.

The CPC has not signed the "Universal Declaration of Human Rights" in the past, and it is even less likely to sign it now that it has put forward "one nation with two systems," because once "one nation with two systems" starts, it will violate the basic spirit of this declaration, unless it "stipulates reservations" about most of the clauses of the declaration. [passage omitted]

### **Beijing Citizens Express Opinions, 'Discontent' Openly**

40050441a Hong Kong MING PAO in Chinese  
18 Mar 89 p 8

[Article by Yu Guren 0060 0942 0088: "Beijing People Use Freedom of Expression to Voice Discontent"]

[Text] A new jingle, describing the country from south to north, goes like this, "The people of Guangdong dare make money in any way, the people of Shanghai dare wear anything, the people of Beijing dare say anything, and the people of Liaoning dare commit any crime."

There has been a wave of serious crime recently, much of it the work of Liaoning criminals who have drifted into other provinces. These crimes are so vicious that they are the object of public loathing. Certainly other provinces too have their criminals, but Liaoning seems to produce more of them.

The people of Shanghai have always been well known for the way they dress. They are trendsetters. Although Guangzhou has the geographical advantage of being close to Hong Kong and Macao, Shanghai is still the point of origin of fashionable clothing throughout the nation.

As for the people of Guangzhou, actually the entire Guangdong Province, they really know how to make a buck and have become the envy of the nation. Workers from many provinces and municipalities have been drawn to the area. The Zhu Jiang delta alone is said to be home to 1 million people working in Hong Kong-owned factories. It is also said that Guangzhou alone is packed with hundreds of thousands of people from other provinces. The total number of "immigrants" easily tops 1 million. They came because it is easy to make money in Guangdong.

What about Beijing? The people of Beijing have so many gripes, some "advanced," some "elementary." Elementary gripes are complaints about everyday mundane

things. When people grumble, they start with daily life and prices and work their way up to the ways of people in high places and "profiteering officials." They are blunt, uninhibited, and shockingly frank as if they were not afraid of offending anybody, including people at the very top. We mention no names here but the people of Beijing do not shy away from uttering any name. Indeed, they dare say anything.

On a positive note, this is free expression. People have a good deal of freedom of speech, something unthinkable 5 or 10 years ago. The press is known as the vehicle of public opinion. Actually there is limited public opinion in the press. Instead, real public opinions—for there are many—can be found on people's lips. These opinions are penetrating and diverse. Some, but not all, of them are also true and valid.

Judging from the things being said, people are mostly pessimistic. Few are optimistic about the future. Some compare the present to the situation in the waning days of the Qing Dynasty, recalling works like "Expose in Officialdom" and "Strange Phenomena Observed Over 20 Years." Needless to say, some people also refer to "the end of the century." What they have in mind is not the fact that a new decade, the 1990's, is around the corner but the end of the Roman Empire...

There is a widespread hope that the oft-repeated propaganda expression "start with myself" would be replaced by "start with the top." The general belief is that only if the people at the top set an example can we arrest the drift toward decadence and revive the fortunes of the nation.

### **Survey Reveals College Students' Employment Preferences**

40050441b Beijing ZHONGGUO JIAOYU BAO in Chinese 11 Mar 89 p 3

[Article by Dai Muai 2071 2606 2088: "College Students Look for Tangible Benefits From Jobs"]

[Excerpt] At a time of social change, how should we interpret and assess the employment preferences of college students? There are many opinions in society on this, some favorable, some unfavorable, and no consensus has been reached. To do a better and more targeted job in the political and ideological work of college students and in pregraduation allocation, and to keep abreast of the basic ideological trends among college students, we recently conducted a sample survey through the mail on the employment preferences of the class of 1985 (including some nongraduates), focusing on those in comprehensive scientific, industrial, financial, economic, and teacher-training institutions. We also held

seminars and conducted personal interviews. These investigations yielded a general glimpse into the employment preferences of college graduates today.

1. Asked whether the concept of "work is struggle" applies to the new situation, 84 percent of the college graduates thought it "no longer applies to the new situation of reform, open policy, and developing a commodity economy," 7 percent believed "it is still applicable or basically applicable," and 9 percent thought the concept should be "reinterpreted and given new meaning under the new circumstances."
2. Asked to rate the importance of "a satisfying work unit" and that of "work," 34 percent of the college graduates considered the former more important than the latter, 17 percent considered the latter more important than the former, and 49 percent thought both are equally important.
3. About the method of choosing a work unit, 29 percent of the graduates advocated "direct school allocation," 34 percent supported "dual choice," 25 percent would rather "contact the work unit on their own," and 12 percent preferred "other allocation methods."
4. Asked what would be their preferred line of work, 8 percent said they would like to engage in "party and league work" upon graduation, 34 percent chose "administrative work," 23 percent picked "economic work," and 16 percent preferred "foreign work." (Many who did not pick "foreign work" noted on their questionnaires they were very much interested in this line of work but bemoaned their limited proficiency in foreign languages.) Only 14 percent chose "scientific research" or "teaching" and 5 percent chose "social work" (e.g., civil administration and public security) and others.
5. Asked to choose the nature of their future work units (multiple choices allowed), 39 percent chose "state-run units," 31 percent selected "collective enterprises," 28 percent preferred "township and town enterprises," 16 percent picked "Sino-foreign joint ventures or wholly foreign-owned enterprises," and 21 percent chose "private enterprises." Fifty-eight percent of the students were "indifferent" to the nature of the work unit.
6. Regarding geographical choices (multiple choices allowed), 48 percent of the college graduates hoped to "remain in big cities" after graduation, 16 percent chose "small and midsized cities," 18 percent hoped they would be allocated jobs in "open coastal areas and special economic zones," and 4 percent chose "border regions and old liberated areas." One percent said they had no geographical preferences and 3 percent did not indicate any choices.
7. About their specific work-unit requirements, 91 percent hoped that their future work unit would "pay high wages, offer good benefits, and provide a free, relaxed, and prestigious place to work." Given that tangible

benefits and fame do not go hand in hand, 43 percent of the graduates named "economic status" as their first criterion in choosing a work unit, 26 percent hoped that their future work would enjoy "social esteem," 10 percent chose "comfortable work," 9 percent preferred occupations with a "high political standing" and only 6 percent hoped that their future work unit would "provide ample room for the exercise of their talents." [Passage omitted]

#### Divorce Law Questioned

40050322 Beijing XIN GUANCHA [NEW OBSERVER] in Chinese No 3, 10 Feb 89 pp 14-15

[Article by Ruo Shui 5387 3055: "Whose Mistake Is It?"]

[Text] After reading Jia Lusheng's [6328 7627 3932] reportorial story, "Sexual Tragedy" (issue 19 of this magazine, 1988), I couldn't help but ponder deeply, and I was disquieted for a long time.

A subcaption in this work was, "The 1980's: A Confusion of Concubines and Culture," which reflected in a powerful way the phenomenon of concubinage at that time. "Concubinage" is a hideous institution of feudal society, but such a thing has reappeared, like a difficult-to-solve puzzle in places having a developed commodity economy.

Actually, fewer than half the cases narrated in the work are about "concubinage;" the rest can only be said to be "remarriage." Concubinage is conducted openly when a man publicly marries two (or more) wives, neither deceiving his principal wife nor deceiving his concubine. The two wives may even live together. Concubinage was legal in the old society, but it is illegal in our society. As a result, secret bigamy is more common, ruses are used to marry two women. The main one deceived is the original legal wife, who does not know that her husband has married another woman elsewhere. The second wife may also be deceived, not knowing that her husband already has a wife. However, the second wife may possibly know the true situation (either before or after marriage), but still not want to leave, she and her husband both deceiving the legal wife.

Why does such a thing happen?

The answer may be found in human nature. "An appetite for food and sex is natural," is something about which China's great sages agreed. First is food, and second is sex. However, these human needs are inevitably restricted by material living conditions. In extremely impoverished circumstances, every need is suppressed to solve the stomach problem. "A poor man does not take a wife." When one cannot get enough to eat, how can he support a woman? Objective conditions will not permit it, and subjectively this need is suppressed. This is said with regard to men, but it is true of women as well. Once material living conditions begin to improve, the second need in human life reawakens, and it seems to become

increasingly intense. "Once one has enough to eat and enough to wear, thoughts turn to lust." "Lust" has a derogatory meaning. But for its derogatory meaning, this characterization could be accepted. Such a stimulation comes from a commodity economy.

Li Renfu was a poor peasant. All he had ever known was to work in order to eat, and to eat in order to work. In Shanghai, he saw a dazzling world, went into business, and became rich. Then he added a new goal in life: enjoyment. He took a fancy to a sales girl.

"When he farmed the field in the village, he had also liked women other than his own, but it had only been a liking; he had never had any idea of having them. Now he had such an idea, and he also had the means. He attracted the sales girl's attention by buying things and showing his wealth. The two became acquainted. Not long after they met, he told her that he was a married man, that his had been a feudal contracted marriage (and this was, in fact, the case), and that there was no love at all. He could not get divorced for the time being, but once he had earned enough money and was able to guarantee his wife's future livelihood, he could divorce with a clear conscience." But he did not wait until he divorced before remarrying. Instead he decided to marry first and get divorced later. The woman agreed. So it was that after a period of dissipation, he went to jail.

The writer condemns Li Renfu's evilness and degeneracy, while also asking the question, "Why is it that a commodity economy that moves mankind toward civilization also brings stupidities to our ancient nation?"

However, if Li Renfu truly had no love for the wife that his parents selected for him, one cannot blame him for liking another woman. He can only be blamed for bigamy. Is bigamy avoidable?

I recall the situation immediately after the founding of the People's Republic when the divorce rate was far higher than it is today. A large number of revolutionary cadres from rural villages entered cities, concluded their former careers in waging guerrilla warfare, and began to rule the country. Taken with the women students in the cities, they turned their backs on their wives in rural villages, their hair curled into a bun on the back their heads, and married again. At that time, there was no talk about "bourgeois lures," nor criticism for "concubinage." Usually, they were only said to have "changed wives." More than one reason accounted for this situation. There may have been no love for a wife to begin with, but one did not pay attention to personal problems during wartime. However, after entering a city, the situation changed, and pent-up desire revived. Or possibly there was feeling for a wife, but after meeting city girls the feeling changed. Divorce was very easy at that time. When courts heard such cases, usually they allowed the man to divorce his first wife so that the second wife's position could be legalized. Their reason was that the attachment between the man and the second wife was

better. This was called the "attachment principle." I feel that this was the proper handling; how the morality of the man's behavior should be judged is another matter.

Rises and falls in the social position of a husband or a wife usually rattle or rupture family relations. Such a situation occurred during the 1970's when young people who had been sent up to the mountains or down to the countryside returned to cities. They had formerly supposed that they would put down roots in a rural village for their whole life, so they married the sons or daughters of poor and lower middle-class peasants. Now, however, they felt wronged, and they wanted to find a mate in the city. But now divorce was not so easy. A person would be condemned for being a Casanova, and would very likely not be upheld by the courts.

Today, however, the reason relates to the development of the commodity economy. The commodity economy has stimulated people's suppressed desires while simultaneously providing a method to satisfy these desires in the form of money. The role of the commodity economy is limited to just this. According to our value concepts, a man is not justified in using money to get women, nor are women justified in wanting a man for his money. However, I fear that one cannot expect most people to give no consideration at all to material goods, but one can at least oppose exchanging women like commodities. However, the commodity economy cannot be blamed for concubinage or bigamy. If the marriage law were really put into practice, and if divorce were not so difficult, concubinage and bigamy would not be so common.

Two young lovers are unable to marry because of their parents' firm opposition, so the male marries another woman by whom he has a child. The woman still carries a torch for him. Later on, by chance, the two of them work together in a local theatrical troupe. Love is rekindled, and they have sexual relations. A public outcry occurs; the theatrical troupe gets rid of them; and the rural folk ridicule them. Divorce? The article tells us that "in order to safeguard the legal rights of the wife, the law will not permit the man to divorce."

(This is truly strange logic! If this is to be used as a reason, the law should prohibit divorce, because in every divorce, the legal rights of both partners to the marriage are dissolved.) Thus, the only way remaining is for her to "become a concubine." Concubinage is illegal, but it is sanctioned by custom. What custom sanctions, the law has seemingly not pursued in this case; It seems that the legal rights of the first wife block it.

Actually, it is not just the law that does not permit it or that does not pursue it; it is the courts. The laws are antifeudal, but the laws are executed by people. If the person executing the law is still influenced by feudal thinking, the situation is difficult to handle.

Look at the following tragic story. Because the family is poor, a woman's older brother requires a bride price, and the woman has no choice but to marry a man who is a congenital half-wit. (We have also seen such a story in "Remembrance of Mulberry Tree Flats.") After many years as a partner to the half-wit, she herself becomes deranged. She does not wash her face or change her clothes; she stares straight ahead and her feelings are numb. Under the impact of the commodity economy, she goes with the human flow to Shanghai, Guangzhou, and Shenzhen to do business. She returns a changed person, her eyes sparkling and her personality radiant. Can such a woman live with such a husband? She suggests divorce, but this becomes a worst possible outrage. The husband's family turns out in full force for action. They threaten her, inveigle her, and use every possible means to block her divorce. Oddly, even her own parents threaten her with hard faces. Concerned about their own self-respect, they will not permit their daughter to free herself from misery. So, is she able to seek help from the law? Can she divorce according to the provisions of the "marriage law?" The "law" is also opposed to granting her freedom. She would like to be a mistress to a man, but the man sets the condition that she leave her husband....there is no way out, and she kills her husband.

On the day she is sentenced, she wears a pretty sweater with a bunch of white flowers embroidered on the chest. What is she thinking?

One can condemn her ruthlessness and say that she should be punished according to the law, but where was the court before all this happened? When she was sold to a half-wit like merchandise, the court did not come forward to protect her. When she quite naturally suggested divorce, the law did not offer to support her.

Wasn't this ruthless? Had she been able to obtain justice, had she not been forced to this point, would she have done such a terrible thing? Whose crime is it?

Even though it has been nearly 40 years since the big mountains [of bureaucratism, imperialism, and feudalism] were toppled, their influence is still deeply rooted in the cultural and psychological structure of many people. This finds prominent expression in their views about divorce. No matter what, they regard divorce as bad and divorcees as bad people. This attitude exists not only in rural villages, but in the cultured world as well. In a movie that received much praise during the 1980's, called "The Joyful Ones," when the male leading role suggested divorce, his father upbraided him saying, "You're either quarreling or wanting a divorce. Is that honorable?...Some years ago, the so-called 'gang of four' made a lot of noise about bad treatment of old people not being a crime, and that a couple getting a divorce was no disgrace. I never thought that you would make this mistake, and forget the meaning of shame or the meaning of being civilized!" In the film, these words are spoken face to face at close range, and the old father speaks them with rage. Divorce is "disgraceful," and not to know the meaning of "shame." It is not "civilized," and it is even the influence of the "gang of four." Yet in the so-called "model plays" in which Jiang Qing had a hand, any expression of affection or love was not allowed! If no divorce, then what? The movie solved the problem by having the wife have a dream in which she became transformed, hence the name "The Joyful Ones." But is it so easy in real life?

Engels said "a marriage without love is immoral." Marx said "a court's divorce judgment is simply a record that a marriage has collapsed internally." When will we universally accept the words of these two revolutionary teachers?

## NORTHWEST REGION

### Corruption in State Organs Deplored

40050446c Lanzhou GANSU RIBAO in Chinese 11 Mar 89 pp 1, 3

[Article by reporter Feng Xiao 7458 2556: "Provincial Government Meets To Deploy Anticorruption Measures." Passages in boldface as published.]

[Excerpts] Lanzhou—In the afternoon of 10 March, the provincial government held a meeting with the heads of departments and bureaus to discuss deployment of anti-corruption measures. [passage omitted]

Li Ziqi [2621 1311 1142], Jia Zhijie [6328 1807 2638], Zhang Wule [1728 0710 2867], Mu Yongji [4476 3057 0679], and other provincial party committee members and provincial government leaders and comrades also attended today's meeting, which was presided over by Mu Yongji.

At the meeting, Jia Zhijie pointed out that corruption has become a serious problem which can no longer be ignored. Corruption among workers in the state organs has discredited the reform and ruined the image of the party and the government.

He said that, in Gansu today, of all the corrupt practices among workers in the state organs, the ones that the masses detest the most and that tend to be most rampant are: **one, abuse of government authority to reap private gains**. For some comrades who work in the state organs, no matter what their ranks, as soon as they have some power, they will do everything to line their own pockets, using their power to get money and goods. **Two, extortion and blackmail, graft and fraud**. Of all the cadres and staff and workers in the taxation, industrial and commercial management, police, housing management, custodian, power supply, banking, ticket sales, and other departments and units, most are good law-abiding people with professional ethics and are doing a good job. But a few abuse their power and official positions to engage in extortion and blackmail, graft and fraud. This is a serious problem not to be ignored. The masses abhor these practices. **Three, bribery and corruption**. Some people take advantage of the power they hold to openly solicit bribes. Some never refuse and are more than willing to accept money and gifts delivered to their doors. Some embezzle state properties outright, robbing the public to enrich themselves. Some conveniently use their jobs to supply economic information to certain units or individuals and even to the lawless elements and participate in illegal activities overtly and covertly to reap illegal profits. **Four, lawlessness among those who enforce the law**. In the law enforcement department, some people take party discipline and the law of the nation lightly and usurp their special status as law enforcement officers to infringe on the interests of the state and the people and break the law to reap private gains. **Five, extravagance and wastefulness**. Some workers

in the state organs, including a few leading cadres, want to keep up their appearance, display their wealth, and go for the ostentatious and extravagant; they wine and dine and waste a lot of money; they use public funds to entertain guests, buy gifts, travel, and have fun. Although only a minority of the cadres indulge in the above abuses, they infringe upon the interests of the majority of the people; they have a very adverse effect on society. These are the "hot points" the people care about and abhor. We must tackle these problems immediately. [passage omitted]

### Panel Discusses Gravity of Public Order Problem

40050446b Lanzhou GANSU RIBAO in Chinese 3 Mar 89 p 1

[Article by reporter Chen Guochang 7115 0948 4382: "Enforce the Law Stringently and Unify Efforts To Crack Down on the Criminal Elements Forcefully"]

[Excerpt] Reporting from Lanzhou—"The people feel threatened." "Provincial leaders and departments concerned should pay more attention to the public order issue"—this is the unanimous opinion of the deputies to the people's congress who attended the March 1 forum on public safety sponsored by the presidium of the 2d session of the Gansu provincial 7th people's congress.

The deputies and committee members said that their own personal experiences and many incidents they have come across at work demonstrate that there is a serious public order problem in Gansu today. Criminal offenses of all kinds, especially serious crimes, are increasing. Many hideous social phenomena, long stamped out, are here to plague us again. In broad daylight, criminal elements assault and murder, steal and rob, and rape women along the railway tracks and in other public places. Even some deputies and committee members who are here to attend the provincial people's congress have themselves been robbed or beaten. It is clear that criminal elements are indeed rampant.

The deputies and committee members feel that the situation is the result of many factors. For example, universal legal education is lacking and ineffective; the legal system cannot keep up with and meet the needs of social development; the poor quality of the contingent of cadres in political and legal departments; the failure of comprehensive management to generate the proper climate. But the most basic factor, as Liu Lanting [0491 5695 0080] and Xing Anmin [6717 1344 3046] pointed out, is simply the failure to enforce the law stringently and crack down on crime vigorously. Committee member Wu Wenhan [0702 2429 5060] put it this way, "there is public order if we keep order, no order if we don't keep order; drastic measures bring constant peace, small measures bring tentative peace, and long-term measures bring permanent peace. It all hinges on how determined we are to do something about the situation." [passage omitted]

**Forum Discusses Need To Strengthen  
Anticorruption Measures**

*40050446a Lanzhou GANSU RIBAO in  
Chinese 4 Mar 89 p 2*

[Article by reporter Hao Liping 6787 0448 1627:  
"CPPCC Gansu Committee Holds Forum to Discuss  
Anti-Corruption and Public Order Issues: Urgent Need  
to Strengthen Anti-Corruption Measures—Public Order  
Depends on Comprehensive Management"]

[Text] Lanzhou—On 2 March, members attending the 2d plenum of the CPPCC 6th Gansu provincial committee held a special forum on the issues of anticorruption and public order. In discussing the phenomena of corruption and violations of law and order among cadres, the general lack of social order, and other problems that trouble many people, the unanimous opinion is that we must strengthen anticorruption measures and be more vigilant.

Committee member Zhang Juxiang [1728 1565 3276] said that building an honest government is not a short-term, one-shot endeavor; we must have a long-term strategic plan. We have to work on the legal system, supervision, investigation and prosecution; we should raise public employees' salaries and set up a system requiring public employees to declare their asset holdings and so on. We need to deal with the issue comprehensively. Committee member Ma Dexiang [7456 1795 4382] suggested that, besides weeding out corrupt elements according to the law, we should educate party members about the situation and establish a proper party image among them. Committee member Pei Guangduo [5952 1684 6995] suggested that an important part of the anticorruption plan should be close supervision by the media and public opinion. Today, the problem is that many units and individuals are very supportive of the newspaper's exposure and criticism of other people, but if they or their subordinates are the targets, it becomes a different matter. They get angry and upset and lodge their complaint against the reporters or misuse their official power to interfere with news reporting. Pei hopes

that the "News Media Law" will be promulgated and put into effect soon to establish proper procedures and legal provisions in media supervision.

The committee members feel that public order affects the welfare of every family and every individual, and mishandling the matter will have a direct and adverse effect on the country's reform and construction. It is understandable that people want long-term peace and stability, but it is neither scientific nor practical, and does not facilitate the comprehensive administration of society to be prejudiced, extreme, overly critical, or to blame each other when addressing the issue. Committee member Sun Zhitai [1327 2535 3141] said that party and government leaders, labor, youth, women's, and neighborhood organizations, units, families, and our propaganda education, civil administrations, and labor departments must share the blame for the lack of public order. Li Zhencai [2621 2973 2088], Fang Helin [7458 7729 2651] and other committee members suggested that our basic education and social education, or the lack of it, are responsible for today's rising juvenile crime rate.

Committee member Zhang Yan [1728 6056] said that much has been said today about comprehensive management but little has been done. There are few practical measures and little centralized leadership, and there are loopholes in the areas of education, redemption, management, settlement, and so on. Zhang hopes to set up an all-encompassing, complete prevention system. As for the political and legal organs, Zhang feels that the failure to crack down on corruption vigorously and enforce the law stringently and the fact that the cadres and policemen who are suppose to enforce the law are themselves breaking it are a major part of the problem we face today. We must take steps to deal with and seriously warn against such tendencies, and we need to raise the standards of the law enforcement contingent. At the same time, Zhang hopes that the government can help solve some of the political and legal organs' personnel, fund, and equipment problems to make law enforcement a little easier.

**List of Legislators Convicted in Criminal Cases**

40050393 Taipei TZULI WANPAO in Chinese  
7 Mar 89 p 2

[Article by correspondent Yu Hsien-ta 3266 6343 6671: "Do You Know How Many Legislators Have Been Arrested for Criminal Involvement?"]

[Text] Legislative Yuan data show many instances since 1951 in which either the judiciary or the armed forces have requested Legislative Yuan approval to arrest incumbent legislators involved in criminal cases. The ones that attracted most attention were the "Taotou Case" in 1966, the "Meili Island Case" in 1979, and the "Shihhsin Case" in 1985.

The "Taotou Case" involved many people. People from three sessions of the legislature were sentenced to prison and had their names stricken from the roles of central government representatives of the people. The legislators were Hsu Chun-pei [1776 0689 0160], Yao T'ing-fang [1202 1694 5364], and Liu Ching-chien [0491 2529 0256]. The president of the Legislative Yuan at the time was Huang Kuo-shu [7806 0948 2579]. The unit requesting arrest was the Procuratorate of the Taipei District Court. The date of the session of the legislator that discussed this request was 23 September 1966.

After delivering the administrative report from the president of the Executive Yuan to the legislature on that day, Huang Kuo-shu announced that "now there is a very important matter that the meeting of the legislature has to handle first." He then asked that administrative officials, spectators, and reporters leave the chamber so that a secret meeting could be held. The legislature then resolved "to permit arrest and detention when necessary." Today, no record remains in the Legislative Yuan's archives of the content of the meeting or the circumstances surrounding the resolution.

Reportedly, Liu Ching-chien also attended this meeting of the legislature, unaware that his name was on the list of suspects. After the secret session, he was arrested as he walked through the main entrance of the Legislative Yuan.

On 24 December 1979, a secret session of the Legislative Yuan also resolved to permit the arrest of legislator Huang Hsin-chieh [7806 0207 0094] for complicity in the "Meili Island Incident Case." The agency requesting the arrest was the Taiwan Garrison Command.

The president of the Legislative Yuan at that time was Ni Wen-ya [0242 2429 0068]. At the opening of that day's legislative session, he said that a secret session would be held first. After asking that nonvoting delegates, correspondents, and spectators leave, a report of particulars was given to the legislature, and the Taiwan Garrison Command's official letter was read aloud. Then Ni Wen-ya asked whether there were any objections to the official letter. None of the legislators present expressed dissent. The chairman

then said "it is decided to permit arrests and investigations of this case according to law." He then solicited objections once again; as before, none of the legislators present expressed dissent.

A more recent instance in which the Legislative Yuan resolved to permit the arrest and detention of an incumbent legislator for complicity in a criminal case was the "Shihhsin Case" in which Ts'ai Ch'en-chou [5591 6591 3166] played the main role. The date on which a meeting of the legislature discussed this matter was 1 March 1984. The agency that issued an official letter requesting his detention was the Procuratorate of the Taipei District Court. The official letter said that "the public procurator deems it necessary to subpoena Legislator Ts'ai Ch'en-chou, who is suspected of a criminal offense, and to arrest or detain him as necessary. The favor of a reply is requested in accordance with provisions of Article 74 of the Constitution of the Republic of China."

Other legislators sentenced to prison or other punishment included Liu Hsin-ju [0491 1800 1172], who was executed by shooting in Kuangchou in 1949 as a Communist spy; Ch'eng Hsiu [4453 3811], who was sentenced to prison for fraud in 1956; Ma Ch'eng-feng [7456 0042 7364], who was sentenced to life imprisonment as a Communist spy in 1957; T'an Ch'in [6009 0530], who was sentenced to 2 years imprisonment in 1962 for the sale of school rolls, causing interference with military service; and Lei Ming-lung [7191 7686 7893], who was sentenced to 6 years imprisonment for fraud in 1970. Lei Ming-lung was arrested when caught in the act.

**Legislators Whose Names Have Been Expunged From the Rolls for Criminal Complicity**

Name	Year	Crime	Sentence	Legislator Status
Liu Hsin-ju	1949	Communist spy	Executed by shooting	Revoked
Ch'eng Hsiu	1956	Fraud	Imprisonment (period uncertain)	Revoked
T'an Ch'in	1962	Interfering with military service	2 years imprisonment	Revoked
Hsu Chun-p'ei	1968	Corruption	8 years imprisonment	Revoked
Yao T'ing-fang	1968	Corruption	7 years imprisonment	Revoked
Liu Ching-chien	1968	Corruption	7 years imprisonment	Revoked
Ma Ch'eng-feng	1957	Communist spy	Life imprisonment	Revoked
Lei Ming-lung	1970	Corruption	5 years imprisonment	Revoked
Huang Hsin-chieh	1979	Rebellion	14 years imprisonment	Revoked
Ts'ai Ch'en-chou	1985	Fraud	Died from illness before sentencing	Revoked

**Meeting Point Comments on Draft Basic Law**  
*40050388a Hong Kong MING PAO in Chinese*  
*2 Mar 89 p 25*

[Article: "Meeting Point's Initial Response to the Consultation of Draft Basic Law"]

[Text] The Standing Committee of the Chinese National People's Congress (NPC) has officially adopted and promulgated the draft of the Basic Law submitted by the Basic Law Drafting Committee and has initiated a 5-month open consultation on the draft.

The Meeting Point has the following opinions on the draft Basic Law, which has been just announced, and the second round of consultation, which has just started.

The Meeting Point has always believed that as the basic law of the Hong Kong Special Administrative Region (SAR) in 1997, the Basic Law must fully embody the general principle of "one country, two systems," "high-degree autonomy," and "Hong Kong ruled by Hong Kong people" and must eliminate various irrational arrangements of the previous colonial system regarding politics, civil liberties, and human rights. Proceeding from the above principle, the Meeting Point insists that the political structure of the SAR must have democratic representation, which not only shows respect for Hong Kong people's equal political rights but is indispensable for a government which has prestige and effective ruling power. With regard to autonomy, the Basic Law must clearly define the constitutional relationship between the central government and the SAR to ensure that the SAR can freely formulate different policies according to the wishes of its residents within the limits of its autonomy. The Basic Law should not include concrete social and economic policies that restrict the autonomy of the SAR. The SAR must maintain judicial independence and enjoy real final adjudication. The Basic Law must provide full protection for the freedom and rights of SAR residents to ensure that they are not willfully encroached upon by the authorities.

Using the above standards to examine the draft of the Basic Law, the Meeting Point thinks that clauses on autonomy and liberty are imperfect and the part concerning political structure is totally against the demand for democratic representation.

The method for constituting the executive authorities and legislative council in the current draft of the Basic Law is basically part of what the drafting committee called "the mainstream plan." It does not reflect the demands of the majority of Hong Kong people. This method, which is based on the classification of functions, completely ignores the equal political participation rights to which Hong Kong people are entitled. The Meeting Point's stand on future political structure is clear and well known. Here we would like to reiterate our demand that beginning 1997, more than half the seats in the legislative council must be elected through popular

and direct elections and that executive authorities must also be elected according to democratic electoral procedures that embody the popular participation of the residents. The Meeting Point cannot accept the "electoral college" suggested in the "mainstream plan" because it is not a democratic election method. Moreover, clauses on political structure give executive authorities too much power, preventing the legislature from fully and genuinely exercising its function of checks and balances. The draft of the Basic Law fails to concretely and clearly define the neutral political stand of government employees and maintain a stable and politically neutral civil service system of the SAR.

Compared to the draft submitted for solicitation of opinions, the draft of the Basic Law has improved clauses concerning the relationship between the central government and the SAR, such as issues concerning the review of constitutional violation by Hong Kong law and the application of national law to the SAR. These amendments show that the drafting committee has accepted the opinions of many circles in Hong Kong. However, problems still exist in the clauses concerning the relationship between the central government and the SAR, although they tend to be legal and technical problems. For instance:

1. If the Basic Law stipulates that the Hong Kong SAR can continue to maintain its previous legal system and basic restrictions on the jurisdiction of courts (Article 19), shouldn't the Basic Law also directly include the current common law concept of "national conduct"? Besides, according to Article 157, the right to interpret clauses concerning the relationship between the central government and the SAR is essentially exercised by the Standing Committee of the NPC. This makes it easy for the Standing Committee of the NPC to interpret "national conduct" and run counter to the original spirit of maintaining the common law system.

2. Article 157 of the draft stipulates that if the courts' interpretation of clauses concerning the administrative affairs of the central government and the relationship between the central government and the SAR affects the final judgment, the courts should request interpretation from the NPC Standing Committee. This stipulation, which demands that SAR courts voluntarily seek the interpretation of the NPC Standing Committee before making final judgment, will interfere with the judicial independence of the SAR and exert far-reaching influence. It must be reconsidered.

Although the draft of the Basic Law has made some improvements with regard to the rights and duties of residents, it fails to solve a key problem, namely, the issue of the legal status of the International Covenant on Civil and Political Rights. The Meeting Point suggests that we legalize this covenant through the Basic Law in order to provide residents with civil rights protection

that is up to international standards. Any clauses in the covenant that do not apply to Hong Kong because it is not a sovereign nation should be so stated clearly.

The draft of the Basic Law still has clauses containing concrete policies that proscribe and restrict future SAR policies although the contents of some clauses (such as economic clauses) have been revised and been made more flexible. Based on the principle that the SAR should maintain a high degree of autonomy and decisionmaking power, the Meeting Point suggests that clauses concerning concrete policies and affairs be deleted. This is a matter of principle. It does not necessarily mean that the Meeting Point disagrees with the policy spirit represented by these clauses.

The Basic Law is a law formulated by China in accordance with the general principle of "one country, two systems," high-degree autonomy, and democratic rule of Hong Kong by Hong Kong people, and under the prerequisite of not violating the spirit of the Sino-British Joint Declaration. In order for the Basic Law to be supported by Hong Kong people and become a solid foundation to support a new political and social order after 1997, the Basic Law must be accepted by the majority of Hong Kong people. At present, the most controversial part of the Basic Law is political structure. On this issue, the Meeting Point has a very clear stand of its own, that is, to uphold democracy. Based on this stand, we will continue to talk and communicate with other organizations and people with political views. The Meeting Point agrees that all strata of society should consult and talk with each other to try to reach a consensus. But this consensus must be a democratic one because it is the only way to implement the spirit of a Hong Kong ruled by Hong Kong people. In the final analysis, because the Basic Law is of immediate concern to several million residents in Hong Kong, it should not be decided by agreement reached by several political organizations. Therefore, the Meeting Point hopes that the second round of consultation will really become an all-round open consultation and find out what the people and the public want. We suggest that we use the method of popular vote to find out Hong Kong people's opinions on different plans of political structure. Compared to an opinion poll, popular vote is simpler, more direct and more credible. Its results will enhance the dignity of the Basic Law in the eyes of Hong Kong people. They can also build up Hong Kong people's faith in their future after 1997.

This consultation is carried out in the name of the NPC Standing Committee. The method and attitude of the consultation have both reflected the degree of importance attached to Hong Kong and its people by the highest power organ of China. Therefore, it is an important test of the promises of Chinese authorities concerning high-degree autonomy and concerning a Hong Kong ruled by Hong Kong people. The Meeting Point hopes that the second round of consultation will not become a superficial "empty consultation." We hope that it will be

a democratic consultation that has no preconceived ideas, earnestly solicits the opinions of Hong Kong people, and is based on public opinion.

**'New Hong Kong Alliance' Aim To Influence Government Policy**

40050388b Hong Kong MING PAO in Chinese  
9 Mar 89 p 2

[Report: "New Hong Kong Alliance Will Act Only as a 'Medium:' Luo Decheng Said No Member Will Seek Political Office"]

[Text] Luo Decheng [5012 1795 0015], member of the Central Organizing Committee of the "New Hong Kong Alliance," said that the purpose in founding this alliance is to seek a balance between the stands of different social strata and interest groups on various policies and social issues and to use it to influence the policymaking of the government. At the current stage, the alliance will not send any representatives to run for political offices. However, he personally did not rule out the possibility that the New Hong Kong Alliance will someday become actively involved in political activities. In order to effectively influence the government's policymaking, the alliance will consider providing logistic support to council members at various levels who support the stand of the alliance.

Luo Decheng is vice chairman of the Basic Law Consulting Committee. When interviewed by our staff reporters, he said that the reason why the New Hong Kong Alliance does not participate in political activities for the time being is that there are already appropriate people in political offices. Besides, the alliance does not want political participation to cause conflict with the medium role which it intended to play. The purpose in founding the New Hong Kong Alliance is to seek a balance between the stands of various social strata and interest groups, thus influencing the policymaking of the government.

He continued to say that in addition to media, another way to influence the government's policymaking is to lobby incumbent council members, thereby changing government policies. Because of this, after the New Hong Kong Alliance is established, the committee in charge of routine operations will decide whether to support the political campaign of certain individuals, depending on how much support they have given to the stand of the alliance.

The objective of the New Hong Kong Alliance is very close to that of the "Hong Kong Foundation," which is being organized by Zhang Jianquan [1728 7003 3123], member of the Legislative Council. Luo and Zhang used to work together at the Legislative Council. But during the process of founding new political organizations, they did not invite each other to join their own organizations.

Luo compared it to eating. He said that Zhang's and his goals may be the same—to eat—but they do not have to eat at the same table everyday. He said that the two organizations each have their own way of doing things and are not exactly alike. The New Hong Kong Alliance will not have a regular chairman and spokesman. To eliminate individualism, its members will take turns as chairman of its committee.

When asked if the founding of too many similar organizations would adversely affect their influence as a whole on the policymaking of the government, Luo Decheng stressed that the number of other organizations has little effect on them. The New Hong Kong Alliance not only will not reject but will strive to seek cooperation with other organizations on different issues. He said that the New Hong Kong Alliance will have many opportunities to cooperate with Zhang's Hong Kong Foundation in the future.

The New Hong Kong Alliance will be registered as a company. Registration and the drafting of rules and regulations are being handled at the law office with

which Luo is affiliated. Members of the central organizing committee are contacting people who are interested in joining. Luo said he personally thinks the more members, the better. He hoped that there will be about 1,000 members, from which a committee of 150 to 200 members will be chosen to take care of all operations and research projects of the alliance.

Luo Decheng said that they welcome people who intend to take time to serve the public by joining the alliance. The only condition is that they must be sincere. They should discuss their views freely at meetings and not form small coteries within the alliance. He thinks that the chances of political success in Hong Kong are slim. If small coteries are formed within an organization, the chances of success will be slimmer.

He also said that the word "new" in the name of the New Hong Kong Alliance does not indicate that there have been similar organizations in the past. It does not have any particular meaning except that all members of the central organizing committee liked this name. However, he personally thinks that the word "new" may indicate that Hong Kong has entered a new stage, different from the old one of 1983.